

Chairman's report on corporate governance and internal control procedures

Objective

In 2006, SES actively participated in the working group set up by the Luxembourg Stock Exchange to prepare the Ten Principles of Corporate Governance, which following public consultation were adopted by the Stock Exchange. SES applies these principles as of their applicable date of January 1, 2007. The adoption of the Ten Principles will result a.o. in a greater transparency in the Company's communication with its shareholders through a wider use of the Company's website (www.ses.com). SES complies with the Ten Principles, and meets all the recommendations, except for recommendation 3.9 which states that the decision-making of the advisory committees set up by the Board remains the collective responsibility of the Board. In some cases, the SES Board has delegated its decision power to the Remuneration Committee. The full charter of the Remuneration Committee listing these cases, as well as the charter of the Audit and Nomination Committee are available on the SES website.

As the Company is also listed on Euronext Paris, SES complies with the French corporate governance requirements, except for the disclosure of the individual salary of the members of the Executive Committee. On this issue SES follows the rules of the Luxembourg Stock Exchange which in its recommendation 8.14 requests the publication of the total amount of direct and indirect remuneration of the members of the Executive Committee, with the fixed and the variable components of the benefits being separately identified.

Over the coming months, SES will continue to pursue its drive towards further transparency by increasing its information flow towards investors, shareholders and analysts, mostly through the use of the Company's website.

Organisation principles

Created on March 16, 2001, SES is a company incorporated in Luxembourg. Following the completion of the acquisition of GE Americom on November 9, 2001, SES became the management company of SES ASTRA, originally created in 1985. The Board of Directors approved a set of internal regulations to complement the legal and regulatory obligations as well as the articles of incorporation of SES (a copy of the SES articles of incorporation, as amended on December 14, 2006 is available on the Company's website). At its meeting on December 7, 2006, the Board of Directors adopted the SES Corporate Governance Charter which consolidates all the corporate governance principles applied by SES in one document.

The Annual General Meeting of shareholders

The Company's Annual or Extraordinary General Meetings represent the entire body of shareholders of the Company. They have the widest powers, and resolutions passed by such meetings are binding upon all the shareholders, whether absent, abstaining from voting or voting against the resolution.

The meetings are presided by the Chairman or, in case of his absence, by one of the Vice Chairmen of the Board or, in their absence, by any other person hereto appointed by the meeting. Any shareholder who is recorded in the Company's shareholder register at least eight business days before the meeting is authorised to attend and to vote at the meeting. A shareholder may act at any meeting by appointing a proxy who needs not to be a shareholder.

The Company has issued three classes of shares; Class-A, Class-B and Class-C.

Class-A shares are defined as shares held by private investors other than members of the GE Group. Class-B shares are owned by the Luxembourg State and by two entities wholly owned by the Luxembourg State. Class-C shares were created when the Company acquired GE Americom. They are held by GE Capital and other members of the GE Group.

Each share is entitled to one vote. In accordance with the Company's articles of incorporation, no shareholder of Class-A may hold, directly or indirectly, more than 20.1% of the Company's shares. Such limit is calculated by taking into account the shares of all classes held by a shareholder of Class-A.

A shareholder or a potential shareholder who envisages to acquire by whatever means, directly or indirectly, more than 20.1% of the shares of the Company must inform the Chairman of the Board of such intention. The Chairman will then inform the Government of Luxembourg of the envisaged acquisition which may be opposed by the Government within three months from such information, should the Government determine that such acquisition is against the general public interest.

In case of no opposition from the Government, the Board shall convene an Extraordinary Meeting of shareholders which may decide at a majority provided for in article 67-1 of the law of August 10, 1915, as amended, regarding commercial companies, to authorize the demanding party to acquire more than 20.1% of the shares.

Class-B shares entitle their holders to 40% of the dividend paid out to shareholders of Classes A and C.

Each registered shareholder will receive written notice of the meeting, including the time of the meeting, the agenda as well as the draft resolutions which will be proposed for approval to the meeting, by registered mail at least 20 days prior to the meeting. At the same time, he will receive a copy of the annual accounts and the consolidated accounts, including the balance sheets and the income statements of the Company.

Holders of the Company's FDRs (Fiduciary Depositary Receipts) will be represented at the meeting by Banque et Caisse d'Epargne de l'Etat acting as Fiduciary. Each FDR will represent one Class-A share. If a holder of FDRs wants to attend the Annual General Meeting of shareholders in person, he needs to convert at least one FDR into an A share. In order to facilitate the attendance of the meeting by FDR holders, the Company will support the applicable charge for a conversion of up to 10,000 FDRs in the period prior to the Annual General Meeting.

Notice of the meeting and of the proposed agenda is given in the press. The Fiduciary circulates the draft resolutions to both international clearing systems, allowing FDR holders to give their voting instructions to the Fiduciary in time for the meeting. At the same time, the draft resolutions will be made available on the Company's website. Unless the Fiduciary has received specific instructions, the Fiduciary will vote in favour of the proposals submitted by the Board.

The meeting may deliberate validly only if at least half of the shares of Classes A and C, combined, and at least half of the shares of Class-B are represented. In the event that the requested quorum is not reached, the meeting will be reconvened in accordance with the forms prescribed by the articles of incorporation. It may then validly deliberate without consideration of the number of represented shares.

The resolutions of the meeting are adopted by a simple majority vote except if otherwise provided for by the articles of incorporation or by law.

During 2006, the Company held its Annual General Meeting of shareholders on April 5 and an Extraordinary General meeting of shareholders on December 14. Both meetings were held at the Company's registered office at Château de Betzdorf in the Grand-Duchy of Luxembourg and were attended by 99.3% respectively by 94.6% of the Company's shareholders.

At the Annual General Meeting, all the proposals submitted by the Board of Directors were carried by an overwhelming majority of shareholders. The shareholders approved the 2005 financial results and the allocation of the 2005 profits, granted discharge to the external auditor and the Directors and elected Ernst & Young as the Company's external auditor for another year. At the same meeting, shareholders voted to increase the remuneration of Board members by

10%. This proposal was adopted by 98.77 % of the shareholders who participated in the vote.

The main purpose of the Extraordinary Meeting of Shareholders on December 14, 2006 was to cancel 16,668,104 A-shares and 8,334,052 B-shares which SES had bought back in the context of a share buy back programme approved by the shareholders in an Extraordinary Meeting of Shareholders on December 8, 2005. At the same meeting, shareholders decided to change the name of the company from SES GLOBAL to SES and to bring the company's articles of incorporation in line with the new Luxembourg law of August 25, 2006. Shareholders also overwhelmingly voted in favour of a resolution allowing SES to launch a new share buy back programme.

Copies of the minutes of both shareholder meetings as well as the information on the detailed number of the votes expressed during these meetings are available on the Company's website.

The Board of Directors and its Committees

Mission

The Board of Directors is responsible for defining the Company's strategic objectives as well as its overall corporate plan. The Board approves, upon proposal from the Executive Committee, the annual consolidated accounts of the Company and the appropriation of results, the Group's medium-term business plan, the consolidated annual budget of the Company, and the management report to be submitted to the meeting of shareholders. It also approves major investments and is responsible vis-à-vis shareholders and third parties for the management of the Company, which it delegates to the Executive Committee.

Composition

Following the resignation of Mr Denis Nayden effective on February 16, the Board of SES is now composed of 17 Directors, all of them non-executive Directors. In accordance with the Company's articles of association, nine Board members represent holders of Class-A shares and FDRs, six Board members represent holders of Class-B shares, and two Board members represent holders of Class-C shares. The mandates of the current Directors will expire at the Annual General Meeting of shareholders in April 2008. The Chairman of the Board of Directors, René Steichen, was elected by the members of the Board, in its meeting on May 6, 2005 which followed the Annual General Meeting. René Steichen is currently assisted by three Vice Chairmen, one each elected on the basis of proposals submitted by Directors representing shareholders of Class-A, Class-B and Class-C. They are François Tesch, Jean-Paul Zens and John F. Connelly.

In the event of a vacancy in the Board, the remaining Directors may, upon a proposal from the Nomination Committee and on a temporary basis, fill such a vacancy by a majority vote. In this case, the next Annual General Meeting of shareholders will definitively elect the new Director who will complete the term of the Director whose seat became vacant. Following the vacancy left by the resignation of Denis Nayden, the remaining Directors have not elected a new Director to complete the mandate of Mr Nayden.

In accordance with internal regulations, at least one-third of the Board members must be independent Directors. A Board member is considered independent if he/ she has no relationship of any kind with the Company or management, which may impact his or her judgment. This is defined as:

- not having been a Director for more than 12 years;
- not having been an employee or officer of the Company over the last five years;
- not having had a material business relationship with the Company in the last three years; and
- not representing a significant shareholder owning directly or indirectly more than 5% of the Company's shares.

Eight of the seventeen Board members are considered independent. They are Messrs. Marcus Bicknell, Hadelin de Liedekerke Beaufort, Jacques Espinasse, Christian Schaack, Terry Seddon, Marc Speeckaert, Gerd Tenzer and François Tesch.

Rules of functioning

The Board of Directors meets when required by the Company's business, and at least once in a quarter. It can only validly deliberate if a majority of the Directors are present or represented. The resolutions of the Board are passed by a simple majority of votes of the voting Directors present or represented, not considering abstentions. Any material contract that is proposed to be signed by the Company or any of its wholly controlled operating subsidiaries with a shareholder owning, directly or indirectly, at least 5% of the shares of the Company is subject to a prior authorisation by the Board. During 2006, the Board of Directors had to vote three times on such transactions. At a special meeting convened for March 21, the Board was asked to approve the buy back of 7 million shares held by GE within the context of a 35 million placement made by that shareholder through an accelerated book building. The Directors also approved the buy back of 3.5 million B-shares on the same date with the objective to cancel both the B-shares and the shares held by GE. At its October 5 Board meeting, the Directors agreed that the Company could buy back additional B-shares to match the number of FDRs bought in the market for the purpose of cancelling them.

At the time of the sale of 35 million shares by GE in March 2006, both parties confirmed that they were talking to each other to discuss possible scenarios relating to an orderly exit of GE for its remaining stake. Within this context, the Board was asked to approve a transaction which has been announced to the market on February 14, 2007. The Board approved the principle of this transaction at its December 7 meeting and in accordance with article 14 of the SES articles of incorporation delegated the approval of the final agreements with GE to a Special Committee composed of the Chairman of the Board and of the members of the Audit Committee. The Special Committee approved the agreements in its meeting on December 21, 2006.

On each of these occasions, the Board members representing the shareholders involved in the transaction did not participate in the deliberation, nor in the vote, because of their conflict of interest.

Activities of the Board of Directors in 2006

The Board of Directors held seven meetings in 2006, with an average attendance rate of more than 86%. Upon endorsement by the Audit Committee, the Board approved the 2005 audited accounts as well as the results for the first half of 2006. During 2006 the Board approved an update to the Company's strategic plan as well as a business plan for the period 2006–2013 which served as the basis for the 2007 budget approved by the Board in December.

The Board decided to increase SES ASTRA's shareholding in ND SatCom to 100% and it decided to introduce a group-wide Code of Conduct and Ethics, the roll-out of which has started at the beginning of 2007. The Directors approved the procurement of the ASTRA 3B and the NSS-9 spacecraft.

The Board further approved an increased investment in IP PRIME and an extension of the technical facilities of APS. The Directors also decided that SES should invest in a Sub-Saharan DTH platform.

Within the context of the acquisition of New Skies Satellites, the Board approved the Nomination of Dan Goldberg, President and CEO of New Skies, as a member of the Executive Committee, it amended the Internal Regulations to reflect the changes resulting from this acquisition and it ratified a special shareholder agreement between SES and SES NEW SKIES. Following the resignation of Dan Goldberg as President and CEO of SES NEW SKIES, the Board, upon a recommendation from the Nomination Committee, appointed Rob Bednarek, until then EVP Corporate Development of SES as successor to Dan Goldberg.

In its December Meeting, the Board adopted the SES Corporate Governance Charter which comprises the Charters of each of the Committees set up by the Board (Audit Committee, Nomination Committee, Remuneration Committee).

During its April meeting, the Board appointed additional members to the Boards of SES AMERICOM and to the Special Shareholder Committee set up for SES NEW SKIES. On each of these Committees there are now three representatives of the SES Board of Directors. Attendance at these Committees is not remunerated.

Following a recommendation from the SES Remuneration Committee, the Board proposed a 10% increase in the Directors' remuneration, which was approved by the shareholders at the April 6, 2006 Annual General Meeting of shareholders.

The Board was informed on a monthly basis by the Executive Committee on the Group's activities and financial situation according to a determined reporting format. The Board was also informed at each meeting on ongoing matters and received information related to possible upcoming investment or divestment decisions. At each Board meeting, the Directors are briefed by the Chairmen of the Committees set up by the Board on the latest developments discussed in the respective Committee.

Committees of the Board of Directors

The Chairman's Office

The Chairman and the three Vice Chairmen are members of the Chairman's Office. The Chairman's Office prepares the agenda for the Board meetings, allowing the Vice Chairmen to coordinate the preparation of the Board meetings with the Directors of their share class. Current members are: René Steichen, John F. Connelly, François Tesch, Jean-Paul Zens. The Chairman's Office met seven times during 2006 with a members' attendance rate of 100 %.

The Remuneration Committee

The Board established a Remuneration Committee which determines the remuneration of the members of the Executive Committee, and which advises on the overall remuneration policies applied throughout the Company. It reports to the Board on a regular basis. The Remuneration Committee is composed of the following five members, a majority of whom are independent Board members in line with the SES Internal Regulations:

René Steichen,
Marcus Bicknell,
John F. Connelly,
Hadelin de Liedekerke Beaufort,
Terry Seddon.

The Remuneration Committee was chaired in 2006 by the Chairman of the Board. Mr François Tesch and Mr Jean-Paul Zens, in their capacity as Vice-Chairmen, may attend the meetings of the Remuneration Committee as observers.

The Remuneration Committee held six meetings with an attendance rate of 97%. Matters addressed related a.o. to an extension of the STAR Plan to SES AMERICOM, SATLYNX, SES SIRIUS and APS). Other topics discussed at the Remuneration Committee included changes to be made to the bonus plan for members of the Executive Committee, the determination of the 2006 stock option grant and the 2006 bonus for members of the Executive Committee. The Remuneration Committee further determined the number of performance shares allocated to the members of the Executive Committee for their performance in 2005. After analyzing the fees paid for Directors in similar companies, the Remuneration Committee proposed to the Directors that the Board fees of SES should be aligned in several steps with market practice. After an analysis of company benefits and in particular a thorough cost analysis of the SES pension scheme, the Remuneration Committee decided to align the pension scheme closer with market practice in Luxembourg.

The Audit Committee

As part of its overall corporate governance, the Board established an Audit Committee, which assists the Board in carrying out its responsibilities in relation to corporate policies, internal control, and financial and regulatory reporting practices. The Committee has an oversight function and provides a link between the internal and external auditors and the Board. The Audit Committee is composed of six members, four of whom are independent Board members.

The current members of the Audit Committee are:

Marc Speeckaert, Chairman of the Audit Committee,
Jacques Espinasse,
Jean-Claude Finck,
Gaston Reinesch,
Terry Seddon,
François Tesch.

The Audit Committee held four meetings with a members' attendance rate of 96%. Meetings were dedicated in particular to the review of the 2005 financial results before their submission to the Board and their subsequent approval by the shareholders at the statutory Annual General Meeting, and to the results of the first half of 2006. The Audit Committee discussed the financial exposure related to the Group's tax risks, the role of compliance within the SES Group, the Internal Audit Plan as it results from the risk mapping exercise, and had an exchange of views on transfer pricing.

The Audit Committee endorsed the proposed changes to Group Treasury Policy and adopted a revised Charter for the Audit Committee which is now part of the Company's Corporate Governance Charter. It further reviewed the management letter prepared by the external auditor. Members of the Board also had the opportunity to channel any comments they had on the Company's quarterly results through the Chairman of the Audit Committee prior to the publication of these results.

The Nomination Committee

In line with best practice in corporate governance, the Company in 2004, created a Nomination Committee composed of five members, a majority of whom are independent Board members. The Nomination Committee was chaired in 2006 by the Chairman of the Board.

The role of the Nomination Committee is to identify and nominate suitable candidates for the Board of Directors, for election by the Annual General Meeting of shareholders. Such proposals are based on submissions from shareholders for a number of candidates at least equal to the number of posts to be filled for each class of shareholders. The role of the Nomination Committee also consists to propose candidates for Executive Committee membership for election by the Board.

In 2006, there was one meeting of the Nomination Committee attended by all of its members. The Committee proposed the appointment of Robert Bednarek as President and CEO of SES NEW SKIES as successor to Dan Goldberg. At the same meeting a Charter for the Nomination Committee was adopted and a discussion on the SES succession plan was held.

The members of the Nomination Committee are:

René Steichen,
Marcus Bicknell,
John F. Connelly,
Hadelin de Liedekerke Beaufort,
Terry Seddon.

Mr François Tesch and Mr Jean-Paul Zens may attend the meetings of the Nomination Committee as observers.

The Executive Committee

Mission

The Executive Committee is in charge of the daily management of the Group. It functions as a collegial body.

The Board has mandated the Executive Committee with the preparation and planning of overall policies and strategies of the Company as well as of decisions reaching beyond the daily management for discussion and decision by the Board.

The Executive Committee may approve specific transactions for an amount up to EUR 10 million per project. It informs the Board at its next meeting on each such transaction, it being understood that the aggregate amount for such projects can at no time be higher than EUR 30 million.

The Executive Committee submits to the Board those measures which it deems necessary to be taken in order to meet the purposes of the Company. Prior to the beginning of each fiscal year, the Executive Committee submits to the Board a consolidated budget for approval.

The Executive Committee is in charge of implementing all decisions taken by the Board and by the Committees specially mandated by the Board. The Executive Committee may, in the interest of the Company, sub-delegate part of its powers and duties to its members acting individually or jointly.

The Chairman of the Executive Committee organises the work of the Executive Committee and coordinates the activities of its members, who report directly to him. In order to facilitate the implementation by the Board of its overall duty to supervise the affairs of the Company, the Chairman of the Executive Committee informs the Chairman of the Board on a regular basis. The latter receives the agenda and the minutes of all meetings of the Executive Committee in due time.

During 2006 the Executive Committee met 38 times with an attendance rate of more than 94%. Pierre Margue, Vice President Legal and Corporate Affairs, acted as Secretary to the Executive Committee.

Composition

The following persons are members of the Executive Committee: the President and CEO of SES who assumes the chairmanship of the Executive Committee, the CFO of SES, the President and CEO of SES ASTRA, the President and CEO of SES AMERICOM and the President and CEO of SES NEW SKIES.

Members of the Executive Committee are nominated by the Board of Directors, upon proposal from the Nomination Committee.

Remuneration

Remuneration of the members of the Board of Directors

The Annual General Meeting of shareholders determines the remuneration of the members of the Board of Directors for attending Board and Committee meetings. In 2006 the shareholders approved the proposal to increase the fees paid to the Directors by 10%. Directors are now entitled to a fixed fee of EUR 16,500 per year and to a variable fee of EUR 1,320 per Board meeting, both net of taxes. Vice Chairmen receive an annual fee of EUR 24,750 and a fee of EUR 1,980 per meeting, whereas the Chairman receives EUR 33,000 per year and EUR 2,640 per meeting.

Members of the committees set up by the Board are entitled to EUR 990 net per Committee meeting, the Vice Chairmen receiving EUR 1,485 per Committee meeting and the Chairman, respectively the Chairman of the Audit Committee receiving EUR 1,980 net per Committee meeting.

The total net remuneration fees paid for the year 2006 to the members of the Board of Directors (net of the Luxembourgish withholding tax) amounted to EUR 591,572.50 of which EUR 274,635 were paid as variable fees, with the remaining EUR 316,637.50 representing the fixed part of the Board fees. The gross overall figure for the year 2006 was EUR 739,465.63.

Company stock owned by members of the Board of Directors

On December 31, 2006 the members of the Board of Directors owned a combined total of 615,310 shares and FDRs, and 9,320 options. These options were granted at the time of the Company's IPO in 1998. No additional options have been granted to Directors since.

Remuneration of the members of the Executive Committee

The Remuneration of the five members of the Executive Committee is determined by the Remuneration Committee. It is composed of a fixed and a variable part. The total gross remuneration paid to the five members of the Executive Committee relative to the year 2006 amounted to EUR 3,599,754.23, of which EUR 2,335,003.08 represented the fixed part and EUR 1,264,751.15 the variable part.

The direct remuneration paid to the members of the Executive Committee amounted to EUR 3,471,225.81, whereas the indirect remuneration was EUR 128,528.40

Members of the Executive Committee also participate in the Company's Executive Stock Options Plan established by the Board of Directors on January

31, 2002. During 2006 the members of the Executive Committee were awarded a combined total of 294,753 options to acquire Company FDRs at an exercise price of EUR 12.93, the price being based on the average of the closing price on the Luxembourg Stock Exchange of the first 20 trading days after the Annual General Meeting. A quarter of those options vested on January 1, 2007, the remaining quarters vesting on January 1, 2008, 2009 and 2010. In 2006 members of the Executive Committee were granted 48,111 restricted shares as part of the Company's long term incentive plan as well as 11,661 performance shares to match the restricted shares granted in 2005. These shares will vest after 3 years.

During 2006, none of the members exercised any options.

Company stock owned by members of the Executive Committee

On December 31, 2006 the members of the Executive Committee owned a combined total of 78,870 shares and FDRs, and 1,166,742 options. Transactions made by members of the Executive Committee or members of the Management Committees of any of the three Operating Companies are published on the Company's website, where the details are kept for a period of at least three months.

External auditor

In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor appointed by the Annual General Meeting of shareholders. On April 6, 2006, the shareholders unanimously retained Ernst & Young for another year, their mandate expiring at the Annual General Meeting on April 5, 2007.

Internal control procedures

Objectives

The Board of Directors has overall responsibility for ensuring that the SES Group maintains a sound system of internal control, including financial, operational and compliance controls. Such a system is an integral part of the corporate governance strategy of the Group.

Internal control procedures help manage risks, and provide reasonable assurance that the business objectives of the Company can be achieved.

The internal control procedures are designed to ensure:

- the efficiency and effectiveness of operations;
- the integrity and reliability of financial and operational information, both for internal and external use;
- the safeguarding of assets; and
- the compliance of actions and decisions with applicable laws, regulations, standards, internal rules, and contracts.

Like all control systems, internal control cannot provide an absolute guarantee that risks of misstatement, losses or human error have been totally mitigated or eliminated.

Organisational principles

The Board of Directors has delegated the design, implementation and maintenance of a rigorous and effective system of internal controls to the Executive Committee of SES, who in turn works closely with the Management Committees of the operating companies in establishing control policies and procedures.

Each operating company of the Group applies two levels of internal control policies and procedures:

- common policies formalised by several coordination committees or cross-functional teams to apply to the employees, officers and directors of the Group Company, its subsidiaries and other controlled affiliates as the general framework for their own business process design; and
- the policies and procedures specific to each company and adapted to their activity, size and organisation, and to their relevant legal and regulatory environment.

The organisation, application and monitoring of these policies and procedures, and therefore, risk management, are the responsibility of each operating company's management.

Internal control procedures

The Group has adopted a robust Internal Control Framework based on a set of guidelines prepared by a recognized body, the COSO (Committee of Sponsoring Organisations). This framework provides reasonable assurance that the internal control objectives are being achieved and is consistent with the reference framework proposed by the French securities regulator, Autorité des Marchés Financiers (AMF).

The control environment is an essential element of the Company's internal control framework as it sets the tone for the organisation. This is the foundation of the other components of internal control, providing discipline and structure.

A Code of Conduct and Ethics applicable to all employees, officers and directors of the Company, its subsidiaries or other controlled affiliates has been established to reinforce the corporate governance principles and control environment.

The policies outlined in this Code are designed to ensure that all employees, officers and directors act at all times in accordance with the applicable laws, regulations and norms of conduct, and with the highest standards of integrity.

The Code was submitted to the Audit Committee and approved by the Board of Directors.

Employees and Officers in all entities of the Group were being informed of the content of the Code of Conduct and its applicable principles in early 2007.

The internal controls in the area of accounting and financial reporting include the following key components:

- a Group Reporting Handbook which summarises the group accounting and financial reporting guidelines and policies;
- controls have been established in the processing of accounting transactions to ensure appropriate authorisations for transactions, effective segregation of duties, and the complete and accurate recording of financial information;
- activities with a significant potential risk, for instance financial derivative transactions, take place within a clearly defined framework set by the Board, or are brought to the Board for specific approval;
- any weaknesses in the system of internal controls identified by either internal or external auditors are promptly and fully addressed;
- the Group relies on a comprehensive system of financial reporting. Strategic plans, business plans, budgets and the annual consolidated accounts of the Company are elaborated according to a detailed process and are brought to the Board for approval. The Board of Directors also approves major investments. The Board receives detailed monthly financial reporting against the approved budget; and
- the external auditors perform a limited review of the half-year Group's financial statements and a full audit, of the full-year Group's financial statement.

The internal controls in the area of treasury management include the following key components:

- in order to ensure the efficiency of the operations of this function in the implementation of a strategy to hedge the Group's risk associated with interest rate and foreign currency fluctuations, a specific treasury software package has been implemented. A clear segregation of duties between members of the treasury and accounting departments has been defined;
- a comprehensive treasury manual giving detailed guidance on derivative instruments used and the appropriate accounting treatment has been defined; and
- the activities of the Group Treasurer, and in particular the hedging activities engaged during the year, are authorised within the framework approved by the Board of Directors.

The Group Treasurer reports on a formal basis every quarter to the Board of Directors.

The internal controls in the area of satellite operations include the following key components:

- a satellite operations risk management process is in place to monitor and assess sources of technical risks and to develop qualitative, quantitative and statistical methods which allow the mitigation of risk at the satellite fleet level; and
- crisis management systems and supporting infrastructure and tools have been designed in order to address satellite in-orbit anomaly situations at the appropriate level of responsibility.

The internal controls in the area of information and communication technology include the following key components:

- management is committed to ensure that data, infrastructure and information technology systems are as secure as is reasonably practicable. Security controls and procedures are in place to prevent unauthorised access to premises, computer systems, networks and data;
- regular back-up of electronic information is ensured and copies are stored offsite; and
- for non-satellite related applications, disaster recovery plans exist.

Evaluation of the internal control procedures

The SES Group Internal Audit function was established in 2000. Internal Audit evaluates the relevance of, and compliance with, internal control procedures.

The mission of the Internal Audit function is to provide independent and objective assistance and assurance regarding the effectiveness and efficiency of business operations, the reliability of financial and operational reporting, and the Group's compliance with legal and regulatory requirements. In this context, Internal Audit is also tasked with identifying, preventing and minimising risks, as well as with the safeguarding of the Group's assets.

Under its charter, which was revised in 2006, the Internal Audit function reports to the President and CEO of SES, but may also report directly to the Audit Committee.

The activities of the Internal Audit function are executed in accordance with an annual audit plan which is reviewed and approved by the Audit Committee. This annual plan is derived from a three-year strategic audit plan established using a risk assessment methodology based on a risk mapping exercise. This exercise is undertaken every three years by the Internal Audit function. It involves identifying the inherent risks relative to all business processes and then assessing the levels of residual risks after consideration of specific mitigating controls.

Internal Audit monitors the implementation of internal control recommendations and regularly reports on effective compliance to the President and CEO of SES and to the Audit Committee.

Internal Audit also regularly coordinates audit planning, and exchanges relevant information, with the Group's external auditors.

Human Resources

Our Human Resources strategy

SES is positioning itself as the employer of choice in the industry. The company identifies, secures, engages, develops and retains the best talent to achieve our vision and our strategic objectives.

SES respects and trusts its people, embraces diversity and lives by its values. Our leaders role model the behaviours outlined in the SES Leadership Competencies.

SES employees are engaged, committed and proud to be associated with their company.

To leverage the employees' full potential, SES focuses on competency development, alignment of objectives and knowledge sharing.

SES ensures that every employee has the necessary resources and support to be successful in his or her career within the context of our performance management system. Human Resources is the catalyst to drive organisational and cultural initiatives leading to sustainable stakeholders' value creation.

SES employees

At year-end 2006, SES employed a total of 1,661 staff¹. The detail is shown in the table below.

SES	60
SES ASTRA	341
SES AMERICOM	461
SES NEW SKIES	175
APS	131
SES SIRIUS	41
SATLYNX	94
ND SatCom	284
Other participations	74
Total	1,661

The significant increase of total headcount results primarily from the acquisition of New Skies Satellites and the acquisition of 100% of ND SatCom.

SES values and culture

The SES companies observe a common set of core values, which provide guidance for their activities. These values inspire a unique organizational culture and reflect our aspirations, which are geared towards achieving the highest performance at the service of customers, shareholders and society at large. SES values are primarily focused on providing highest-quality customer service.

They are:

Excellence – having the passion and commitment to be the best in our industry.

Partnership – developing and maintaining cooperative relationships that build upon strengths and skills within the Group to achieve common goals and benefits at the service of the customers.

Leadership – articulating strategic vision, demonstrating values, and creating an environment in which we can meet the needs of the marketplace.

¹ Full-time equivalents.

Integrity – consistently applying the principles of honesty, accountability, responsibility, fairness and respect.

Innovation – establishing a business culture that stimulates creativity across the organisation, develops employees' skills and improves processes, products and services.

Remuneration

The SES companies apply a performance-based compensation philosophy. Remuneration includes: salaries, performance bonuses, stock options, stock appreciation rights, long-term incentives and fringe benefits that are continuously reviewed in line with best market practices.

Stock-related compensation schemes

SES applies an Equity Incentive Compensation Plan. The purpose of the plan is to attract and retain highly qualified leadership level staff. This policy applies to executive-level employees of SES. 1,500,412 options were granted in 2006 to 120 executive participants.

Long-term incentive scheme for executives

Our long-term incentive scheme for executives is based on restricted shares (restricted for a vesting period of three years), and, in the case of senior executives, on restricted shares and on performance shares (shares which are only granted in case the Company and the executive meet or exceed a certain performance threshold). 137,159 restricted shares and 68,066 performance shares were granted in 2006.

Stock Appreciation Rights Plan

SES operates a Stock Appreciation Rights (STAR) Plan, which applies to the non-executive-level staff. Through the grant of Stock Appreciation Rights, the Company aims to encourage the long-term commitment of the staff towards the Company, and to provide the possibility to share in the value-creation of the Company. 743,594 STARs were granted in 2006.

A variety of awards are being used to acknowledge and reinforce the contributions of our employees. These mechanisms include management awards, spot awards, deal attainment bonuses, SES ASTRA Awards and the AMERICOM President's Award.

Our Human Resources (HR) function

Following the acquisitions that were concluded in 2006, SES was supported at year-end by a team of 37 HR staff spread through all SES companies. An HR Council ensures the operational coordination on a regular basis.

Additionally, a Human Resources Coordination Committee ensures that the HR strategy and objectives are aligned within the Group and with the business objectives, decisions and guidance of SES' Executive Committee.

In 2006, significant efforts by the respective HR organisations were made to ensure the successful integration of the acquired companies, particularly of New Skies Satellites and of ND SatCom.

Employee satisfaction is being periodically monitored by an employee survey, internally called 'Voice of the Employee' (VoE). The VoE survey was conducted at the end of 2006, and results were to be disclosed at the beginning of 2007. Dedicated follow-up actions will be planned and implemented.

A strong focus is placed on employee communications, which regularly uses a variety of instruments, such as employee meetings, breakfast talks, and forums pertaining to specific topics. The Company's Intranet was significantly enhanced and remains a preferred vehicle for successful employee communications.

Additionally, company's Vision and Business Strategy are conveyed successfully to all employees to strengthen awareness and engagement.

A learning organisation

In line with its vision of being a continuous learning organisation, SES has further developed the AMERICOM University and the SES Training and Education Programme (STEP) in 2006.

SES spent up to 2% of total payroll costs on training and development, including leadership, technical and sales training.

The SES companies offer a Global Development Programme to employees enabling temporary exchanges of employees within SES for project and personal development, and for educational purposes.

In 2006, a framework of Core and Functional Competencies was developed to provide SES with the necessary capabilities and know-how for the future.

Building outstanding leadership talent

SES focuses on identifying and developing high-potential leadership talent by means of succession planning. This includes participation in executive development programmes, coaching and stretch assignments. A talent inventory process and a global succession plan for critical positions was conducted in 2006.

In SES AMERICOM, an Associate Programme was designed to attract the brightest individuals and develop them as future SES leaders. The 24-month programme consists of four, six-month rotations in the every major function of SES, and includes one global rotational assignment. The programme provides a stimulating learning experience for its participants, both through on-the-job and through formal training. SES AMERICOM invited two associates to join the programme in 2006. The programme is scheduled to be expanded in 2007, to include six associates within an SES group-wide programme.

Social dialogue within SES

In its dealings with their employees and associates, SES and its operating entities rely upon best practices of social dialogue and openness. These principles are applied at all levels of the organisation and are rooted both in legal requirements and in management culture.

At SES ASTRA, the legal framework provides for a Personnel Delegation and a Mixed Committee.

The Personnel Delegation consists of seven members who are elected for a five-year term. Their mandate consists in protecting the interests of the workforce with regard to working conditions, job security and social matters. The Personnel Delegation is informed on the developments affecting the Company and advises on amendments to work rules.

The Mixed Committee consists of three employer representatives and three employee representatives. The Mixed Committee has co-decision powers in matters covering performance assessment, health and safety and in the general criteria applied in the recruitment, promotion and dismissal policies. The Mixed Committee is consulted on all important decisions regarding investments in plant or equipment, work processes and working conditions. The Committee is informed about the general development of the Company and employment trends.

At SES S.A. the legal framework provides for a Personnel Delegation, which currently consists of one member.

In other SES companies, the social dialogue is conducted according to the rules laid out in the local legal frameworks, for instance by means of Works Councils in SES NEW SKIES, SATLYNX, APS and ND SatCom.

Investor Relations

SES has a dedicated Investor Relations function reporting to the CFO of SES. Its purpose is to develop and coordinate the Group's external communications and

interactions with equity and debt investors, investment analysts, credit rating agencies, financial journalists and other external audiences, to monitor stock market developments and to provide feedback and recommendations to the SES Executive Committee.

Investor Relations is responsible for defining and executing SES's active investor relations programme and participation in investor conferences and similar events. Investor Relations also ensures that the Group's external communications comply with applicable legal and regulatory requirements. The Vice President, Investor Relations, reports to the CFO of SES and works closely with the President and CEO, the Group Treasurer and other senior executives across the Group.

Corporate social responsibility policy

In 2006, SES implemented a corporate social responsibility programme aligned with the company's values. Global reputation is born out of local action. SES' corporate social responsibility (CSR) programme has been elaborated to reflect this approach by deploying CSR projects and activities in those areas of the world in which the SES group has activities or provides communications services.

Our CSR programme is aimed primarily at supporting educational projects, which are directed towards the development of a knowledge and communications-based society. We believe that this is a key element in the emergence of a model for sustainable development. Our CSR programme attempts to reflect SES's positioning in the field of global communications infrastructure and services provision.

In 2006, SES signed the Corporate Social Responsibility charter, which was elaborated jointly by a number of Luxembourg-based companies, committing its signatories to promote the principles of CSR and to reflect and implement these in their everyday operations.

During the year, SES committed to support the "One Laptop per Child" project (OLPC), a worldwide non-profit initiative aimed at improving the communication and education infrastructure in developing countries by launching a low cost, web-connected laptop. Both SES ASTRA and SES AMERICOM are corporate partners of the scheme, together contributing important know-how for the conceptual development of the project, space capacity onboard SES's global satellite fleet and US\$ 2 million of financial support. OLPC is managed through a spin-off of the Massachusetts Institute of Technology, which is supported by a range of corporate partners. Further information on OLPC can be found at www.laptop.org.

In 2006, SES continued its cooperation with the University of Sankt Gallen, Switzerland, by financing a student scholarship for the MBA Hochschule St Gallen programme. We also continued to support the scholarship programme of the Society of Satellite Professionals International, a US-based non-profit association for the professional development of satellite industry professionals worldwide.

We pursued our cooperation with the International Space University in Strasbourg, France, financing student scholarships for advanced studies of space applications. We also continued our long-standing support of the school #1 in Baikonur, Kazakhstan, by contributing to the financing of the school's information technology infrastructure.

SES also supported Luxembourg's "Business Initiative 123-GO" aimed at advancing the development of innovative business projects and we continued to support the Institut St. Joseph of Betzdorf, Luxembourg, a home for mentally handicapped persons.

In 2006, SES NEW SKIES supported the Tambores project, a rural school for children from families with incomes below the poverty line, in Colombia. Tambores aims at increasing school participation and lowering the drop-out rates. The project is executed by Federação Nacional de Cafeteros de Colombia (FNCC), and is also supported by the European Commission, the Flemish government, the Spanish Agency for International Cooperation and other institutions.

SES AMERICOM made a financial donation to support the extension of the Plainsboro library. The company also continued its support to the Susan Komen breast cancer research activities. SES AMERICOM matched donations made by its employees (to the rate of one dollar for each two dollars donated) to a number of colleges and universities. And the company supported the Arthur C. Clarke Foundation Awards through a financial contribution.

Cultural sponsorships

In 2006, SES continued its financial support of "Musek am Syrdall", a local music festival in Luxembourg.

Caring for the environment

The SES companies are committed to respecting the world's natural environment, and to aligning the companies' and the staff's conduct with the principles of sustainable development. We apply the basic principle that all activities and services which we provide to third-party customers, or which are supplied to us by third-party vendors, should comply with the highest standards of environmental protection.

Compliance is benchmarked against the legal rules and regulations applied in the countries in which the SES companies operate, as well as against industry-wide best practices. Our objective is to continuously improve our environmental performance and to further reduce the environmental impact of our activities. The activities of SES and its operating companies are mainly office and technology-based. In our operations, we promote the most efficient use of energy and natural resources. We have successfully implemented a programme to rely on cogeneration power wherever possible, in order to make maximum use of energy. We apply a waste recycling programme which aims to avoid, reduce, and recycle waste material as efficiently as possible; this programme is subject to independent third-party audits and quality control. We also conduct environmental training on a regular basis and encourage our staff to adopt environmentally correct attitudes in their professional activities.

The operating entities of SES apply best practices in minimising environmental impact of the outsourced activities, such as the manufacturing and launching of spacecraft. The companies also ensure that the amount of radiation emitted from their earth stations respects or remains below the maximum levels defined by the countries of operation; compliance is checked through yearly internal and third-party audits by accredited organisations which are specialized in the field of industrial safety.