

**INMARSAT GROUP LIMITED**

**CONDENSED CONSOLIDATED  
FINANCIAL RESULTS**

**For the three months ended  
31 March 2010  
(unaudited)**

## **Forward-Looking Statements**

*This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” or, in each case, their negative and words of similar meaning are forward-looking.*

*By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group’s actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the Group’s Annual Financial Information Disclosure document for the year ended 31 December 2009, which can be accessed via our website at [www.inmarsat.com](http://www.inmarsat.com).*

*As a consequence, the Group’s future financial condition, results of operations and cash flows, as well as the development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on the Group’s behalf.*

## **Non-IFRS Measures**

*In addition to International Financial Reporting Standards (“IFRS”) measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-IFRS measures are given, this is clearly indicated and the comparable IFRS measure is also given.*

### Net Borrowings

*Net Borrowings is defined as total borrowings less cash at bank and in hand less short-term deposits with an original maturity of less than three months. We use Net Borrowings as a part of our internal debt analysis. We believe that Net Borrowings is a useful measure as it indicates the level of borrowings after taking account of the financial assets within our business that could be utilised to pay down the outstanding borrowings. In addition the Net Borrowings balance provides an indication of the Net Borrowings on which we are required to pay interest.*

### Free cash flow

*We define free cash flow (“FCF”) as cash generated from operations less capital expenditure, capitalised operating costs, net interest and cash tax payments. Other companies may define FCF differently and, as a result, our measure of FCF may not be directly comparable to the FCF of other companies.*

*FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to net income and operating income as a measure of our performance and net cash generated from operating activities as a measure of our liquidity, or any other performance measures derived in accordance with IFRS.*

*We believe FCF is an important financial measure for use in evaluating our financial performance and liquidity, which measures our ability to generate additional cash from our business operations. We believe it is important to view FCF as a measure that provides supplemental information to our entire statement of cash flows.*

## EBITDA

*We define EBITDA as profit before interest, taxation and depreciation and amortisation. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.*

*EBITDA and the related ratios are supplemental measures of our performance and liquidity under IFRS that are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS.*

*We believe EBITDA among other measures facilitates operating performance comparisons from period to period and management decision making. It also facilitates operating performance comparisons from company to company. EBITDA eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of tangible and intangible assets (affecting relative depreciation and amortisation expense). We also present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, the vast majority of which present EBITDA when reporting their results.*

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## Operating and Financial Review

The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (“the Company” or together with its subsidiaries, “the Group”) for the three months ended 31 March 2010. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

### Overview

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Inmarsat is the leading provider of global mobile satellite communications services (“MSS”), providing data and voice connectivity to end-users worldwide. Inmarsat has over 30 years of experience in designing, launching and operating its satellite-based network. With a fleet of eleven owned and operated geostationary satellites, the Group provides a comprehensive portfolio of global MSS for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and videoconferencing.

The Group’s revenues for the three months ended 31 March 2010 were US\$200.7m (2009: US\$163.4m), operating profit was US\$102.4m (2009: US\$70.8m) and EBITDA was US\$144.1m (2009: US\$117.3m).

The results of the Group’s operations are reported in US dollars as the majority of revenues and borrowings are denominated in US dollars.

### Acquisition of Segovia

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On 12 January 2010, we completed the acquisition of the business and assets of Segovia, Inc. (“Segovia”) for an initial consideration of US\$110.0m, and may pay additional amounts depending on the performance of the acquired business over the next three years. The initial consideration was financed from available liquidity and it is expected that any contingent consideration will be financed using available liquidity at that time.

We have accounted for the acquisition of Segovia using the purchase method of accounting in accordance with *IFRS 3 (as revised), ‘Business Combinations’*. The consolidated results of the Group for the three months ended 31 March 2010 include the financial results of Segovia for the period 12 January 2010 to 31 March 2010.

Segovia is a leading provider of secure Internet Protocol managed solutions and services to United States government agencies. The existing Segovia executive management team will continue to operate Segovia as a separate business.

### Global Satellite Phone Service

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The launch of our global satellite phone service (“GSPS”), commencing with the IsatPhone Pro, is scheduled for June 2010. The IsatPhone Pro is the first product forming part of our GSPS and is targeted primarily at professional users in the government, media, aid, oil and gas, mining and construction sectors. It will offer satellite telephony, with Bluetooth for hands-free use, voicemail, SMS and email messaging. In addition, GPS location data will also be available to the user to look up or send in a SMS message. The IsatPhone Pro is the first Inmarsat handheld satellite phone to be purpose-built for the Inmarsat network and will be available on a global basis over the three Inmarsat-4 satellites, which have an operational lifetime into the 2020s. The suggested retail price for the IsatPhone Pro handset is US\$699, although pricing promotions are expected to bring the end-user price to US\$500-600. Retail airtime rates will be competitively priced at around US\$1 per minute. The IsatPhone Pro will provide users with reliable global coverage, long battery life, a robust handset, clear voice quality and ease of use.

### ***Emergency relief in Haiti***

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Inmarsat's services were used to support emergency relief efforts in Haiti following the earthquake in January. With the country's cellular and terrestrial telecoms network damaged beyond use, satellite communications provided the only means for communicating to, and within, the country. The ability of the Inmarsat-4 satellites to dynamically reallocate spotbeams to areas of high demand ensured that spectrum was available to support essential government and aid operations in the immediate region.

Inmarsat-sponsored Télécoms Sans Frontières ("TSF"), the telecommunications relief aid organisation, dispatched a team to the area equipped with Inmarsat mobile voice and broadband terminals. The TSF team provided essential communications services to government, NGO users in the region, and other first responders and navies that joined the relief efforts. TSF also offered the opportunity for those caught up in the event to use Inmarsat's services to call family and loved ones.

### ***European Investment Bank Financing***

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On 19 April 2010, Inmarsat plc announced that it had completed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement, Inmarsat may borrow up to €225m and expects to make an initial draw down under the facility during the second quarter of 2010. The EIB financing will rank as a senior secured creditor of Inmarsat Investments Limited, a direct subsidiary of Inmarsat Group Limited. The EIB financing will rank pari passu with Inmarsat's Senior Credit Facility and ahead of Inmarsat's 7.375% Senior Notes due 2017.

### ***New SwiftBroadband Service***

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On 30 April 2010, we announced the introduction of a new class of our SwiftBroadband service. SwiftBroadband 200 ("SB200") is designed to extend the benefits of Inmarsat services to smaller aircraft and provide a more cost-effective solution for IP communications for aircraft operators. The SB200 service will be available in the footprint of all the I-4 satellites and will provide standard IP data up to 200kbs, circuit-switched voice telephony and streaming IP data up to 16kpbs. The first SB200s based on the existing SwiftBroadband systems are expected to be commercially available at the end of 2010.

### ***Deregistration from U.S. Securities and Exchange Commission***

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On 27 January 2010, following the redemption and cancellation of the Senior Notes due 2012 and the Senior Discount Notes (held by Inmarsat Finance II plc, a subsidiary of Inmarsat Holdings Limited, our parent company), certain of our subsidiaries (the "Inmarsat Registrants") filed for voluntary deregistration from the Securities and Exchange Commission ("SEC"). Upon filing, the Inmarsat Registrants' respective reporting obligations under the Securities Exchange Act 1934 were immediately suspended, such that they ceased reporting to the SEC. Deregistration became effective on 28 April 2010, 90 days after the deregistration filing. The Group is still required by the terms of its outstanding debt securities to report consolidated financial results on a quarterly basis.

### ***Dividends***

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A second interim dividend for the 2009 financial year of US\$100.7m was approved by the Directors on 22 March 2010 and subsequently paid to Inmarsat Holdings Limited (the parent company) in lieu of a final dividend. Inmarsat plc used the proceeds of the dividend principally to fund a previously announced dividend to holders of its ordinary shares.

## Revenues

Revenues for the three months ended 31 March 2010 increased by 22.8%, compared with the three months ended 31 March 2009. The table below sets out the components of the Group's total revenue for each of the periods under review:

(US\$ in millions)	Three months ended		Increase/ (decrease) %
	31 March 2010	2009	
<b>Revenues</b>			
<b>Maritime sector:</b>			
Voice services	24.2	26.2	(7.6%)
Data services	62.0	59.9	3.5%
<b>Total maritime sector</b>	<b>86.2</b>	<b>86.1</b>	<b>0.1%</b>
<b>Land mobile sector:</b>			
Voice services	2.2	2.4	(8.3%)
Data services	43.0	32.1	34.0%
<b>Total land mobile sector</b>	<b>45.2</b>	<b>34.5</b>	<b>31.0%</b>
Aeronautical sector	22.8	16.8	35.7%
Leasing	27.0	23.9	13.0%
<b>Total MSS</b>	<b>181.2</b>	<b>161.3</b>	<b>12.3%</b>
Other income	19.5	2.1	828.6%
<b>Total revenue</b>	<b>200.7</b>	<b>163.4</b>	<b>22.8%</b>

During the three months ended 31 March 2010, revenues from MSS increased by 12.3%, compared with the three months ended 31 March 2009. Growth has been driven by demand assigned services such as BGAN, FleetBroadband and Swift64, as well as from new leasing business.

Total active terminal numbers as at 31 March 2010 increased by 7.2%, compared with 31 March 2009. The table below sets out the active terminals by sector:

(000's)	As at 31 March		Increase/ (decrease) %
	2010	2009	
Active terminals <sup>(1)</sup>			
Maritime	173.9	162.0	7.3%
Land mobile	80.6	75.7	6.5%
Aeronautical	11.4	10.3	10.7%
<b>Total active terminals</b>	<b>265.9</b>	<b>248.0</b>	<b>7.2%</b>

(1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 31 March. Active terminals also include the average number of certain SPS terminals (which we have previously referred to as ACeS handheld terminals) active on a daily basis during the period. Active terminals exclude our terminals (Inmarsat D+ and IsatM2M) used to access our Satellite Low Data Rate ("SLDR") or telemetry services. At 31 March 2010, we had 204,387 SLDR terminals.

**Seasonality - Impact of volume discounts:** There is generally very little seasonality in the markets we serve, although data traffic tends to slow down at holiday periods, e.g. Christmas. However in previous years our Volume Discount Scheme ("VDS") led to significant seasonality in our revenues. The terms of the VDS changed following the signing of the new distribution agreements by Inmarsat Global's distribution partners, effective from 1 May 2009. This resulted in the removal of volume discounts on BGAN services and the implementation of a more even phasing of discounts during the year with respect to Existing and Evolved services (being all services other than our broadband services, SPS and our planned GSPS). Historically, volume discounts under the old VDS progressively increased over the course of the year, with lower discount levels in early quarters and higher discount levels in later quarters, as Inmarsat Global's distribution partners met specific thresholds. Volume discounts for the period 1 January 2009 to 30 April 2009 were based on the old VDS, condensed from a twelve-month period into a four-month period. Volume discounts after 1 May 2009 are based on the new structure where discounts remain constant throughout the period.

During the three months ended 31 March 2010, volume discounts were US\$10.0m, a decrease of US\$4.3m, or 30%, compared with the three months ended 31 March 2009. The decrease reflects the changes to the VDS resulting from the revised terms of the new distribution agreements – namely the reduced number of services eligible for volume discounts. Although we removed our BGAN services from the VDS, we have implemented certain price reductions for BGAN services, resulting in a neutral position for wholesale BGAN prices.

**Maritime Sector:** During the three months ended 31 March 2010, revenues from the maritime sector were US\$86.2m, which was broadly in line with the three months ended 31 March 2009.

Revenues from data services in the maritime sector during the three months ended 31 March 2010 were US\$62.0m, an increase of US\$2.1m, or 3.5%, compared with the three months ended 31 March 2009. The increase in revenues from data services reflects greater demand, primarily as a result of the continued take-up and strong usage of our Fleet and FleetBroadband services, plus pricing changes. Partially offsetting the increase in revenue was a decrease in revenue from our Inmarsat B service due to the natural run-off of this mature service, which will be retired on 31 December 2014. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with new equipment and new ships being fitted with Fleet and FleetBroadband terminals. In addition, there was a decrease in revenues from our Mini M service, where there is an expected long-term decline in demand for fax and low speed data.

Revenues from voice services in the maritime sector during the three months ended 31 March 2010 were US\$24.2m, a decrease of US\$2.0m, or 7.6% compared with the three months ended 31 March 2009. Growth in demand for voice services among users of our Fleet and FleetBroadband services was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services.

**Land Mobile Sector:** During the three months ended 31 March 2010, revenues from the land mobile sector were US\$45.2m, an increase of US\$10.7m, or 31%, compared with the three months ended 31 March 2009. Disaster relief efforts by aid agencies and government organisations, in response to the earthquakes in Haiti and Chile, resulted in an estimated US\$5m in incremental BGAN revenues during the three months ended 31 March 2010.

Revenues from data services in the land mobile sector during the three months ended 31 March 2010 were US\$43.0m, an increase of US\$10.9m, or 34%, compared with the three months ended 31 March 2009. Continued strong growth in BGAN revenue and a pricing impact following the change to the new distribution agreements on 1 May 2009 was partially offset by the decline in GAN high-speed data traffic following reduced traffic levels in the Middle East as a result of troop withdrawals from Iraq.

Revenues from BGAN services for the three months ended 31 March 2010 were US\$34.9m, an increase of US\$13.4m, or 62%, compared with the three months ended 31 March 2009. These figures include voice, data and subscription revenues. As at 31 March 2010, active BGAN subscribers were 42,310 compared with 29,839 as at 31 March 2009, an increase of 12,471 or 42% period on period. BGAN subscribers include 5,800 new subscribers activated at the end of March 2010 in preparation for the election in the Philippines in May 2010, which we subsequently expect to be de-activated. BGAN revenue growth continues to be driven largely by new subscribers and increased traffic volumes from government users in Afghanistan and other territories.

Revenues from voice services in the land mobile sector during the three months ended 31 March 2010 were US\$2.2m, a decrease of US\$0.2m, or 8.3%, compared with the three months ended 31 March 2009. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from other MSS operators.

**Aeronautical Sector:** During the three months ended 31 March 2010, revenues from the aeronautical sector were US\$22.8m, an increase of US\$6.0m, or 36%, compared with the three months ended 31 March 2009. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 12.6% increase in active channels

compared with 31 March 2009. Our Swift 64 service targets the government aircraft and business jet markets as well as being used by commercial airlines. In addition, revenues for low-speed data services benefited from increased industry demand.

**Leasing:** During the three months ended 31 March 2010, revenues from leasing were US\$27.0m, an increase of US\$3.1m, or 13.0%, compared with the three months ended 31 March 2009. The increase is a result of additional government contracts for maritime and land-based services and the expansion of Swift 64 leases for an aeronautical customer.

**Other income:** Other income for the three months ended 31 March 2010 was US\$19.5m, an increase of US\$17.4m or 829%, compared with the three months ended 31 March 2009. The increase is principally due to the inclusion of revenues from Segovia, our newly acquired subsidiary, from 12 January 2010.

### ***Net operating costs***

The table below sets out the components of the Group's net operating costs for each of the periods under review:

(US\$ in millions)	Three months ended		Increase/ (decrease) %
	31 March 2010	2009	
Employee benefit costs	(27.3)	(25.4)	7.5%
Network and satellite operations costs	(16.8)	(9.8)	71.4%
Other operating costs	(16.0)	(16.1)	(0.6%)
Work performed by the Group and capitalised	3.5	5.2	(32.7%)
<b>Total net operating costs</b>	<b>(56.6)</b>	<b>(46.1)</b>	<b>22.8%</b>

The majority of the increase in net operating costs of US\$10.5m is attributable to the inclusion of Segovia's operating costs from 12 January 2010. These costs have been allocated to each of the relevant cost categories.

### ***Impact of hedged foreign exchange rate***

The functional currency of the Group's principal subsidiaries is US Dollars. Approximately 60% of the Group's costs (excluding Segovia) are denominated in Pounds Sterling. Net operating costs in the three months ended 31 March 2010 were affected by a favourable movement in the Group's hedged rate of exchange from US\$1.92/£1.00 in 2009 to US\$1.49/£1.00 in 2010. The movement in the hedged rate of exchange in the three months ended 31 March 2010 has resulted in a decrease in comparative costs of US\$5.8m. We recently decided to complete hedging arrangements for our anticipated sterling costs in both 2011 and 2012. As a result, we now expect our hedged rate of exchange for 2011 to be US\$1.52/£1.00 and for 2012 to be US\$1.48/£1.00.

### ***Employee benefit costs***

The US\$1.9m increase in employee benefit costs is primarily attributed to the inclusion of Segovia's staff costs for the period 12 January 2010 to 31 March 2010. Total full-time equivalent headcount increased from 482 at 31 March 2009 to 622 at 31 March 2010, primarily because of the inclusion of Segovia. In addition, staff costs increased due to mid-year salary cost increases in 2009 and higher stock compensation costs due to new share awards. Partially offsetting the increases was a decrease in staff costs due to the favourable movement in the Group's hedged rate of exchange.

### ***Network and satellite operations costs***

The increase in network and satellite operations costs of US\$7.0m is predominantly due to the inclusion of Segovia costs for the period 12 January 2010 to 31 March 2010. Furthermore, in-orbit insurance relating to our third Inmarsat-4 satellite, which was insured under the launch contract until August 2009, increased period on period.

### ***Other operating costs***

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The decrease in other operating costs of US\$0.1m relates predominantly to the movement in the Group's hedged rate of exchange and lower direct cost of sales due to fewer SPS terminal sales. This was offset partially by increased marketing spend and higher interconnect costs due to the increase in BGAN and SPS traffic. In addition, Segovia's other operating costs are also included for the period 12 January 2010 to 31 March 2010.

### ***Work performed by the Group and capitalised***

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The decrease in own work capitalised of US\$1.7m is a result of the movement in the Group's hedged rate of exchange and the fact that the three months ended 31 March 2009 included the capitalisation of costs relating to the in-orbit testing of the third Inmarsat-4 satellite. Own work capitalised continues to reflect the shift of work from our BGAN and Inmarsat-4 programmes to the development of the GSPS network and terminals and the Alphasat satellite project.

### ***EBITDA***

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Set forth below is a reconciliation of profit to EBITDA for each of the periods indicated:

(US\$ in millions)	Three months ended 31 March	
	2010	2009
<b>Profit for the period</b>	<b>62.5</b>	<b>39.2</b>
Add back:		
Income tax expense	23.1	11.2
Net interest payable	16.8	20.4
Depreciation and amortisation	41.7	46.5
<b>EBITDA</b>	<b>144.1</b>	<b>117.3</b>
<b>EBITDA margin</b>	<b>71.8%</b>	<b>71.8%</b>

The increase in EBITDA of US\$26.8m is due to the inclusion of the results of Segovia and higher revenues, offset in part by higher net operating costs, as discussed previously. EBITDA margin has remained constant at 71.8% for the three months ended 31 March 2009 and 2010.

### ***Depreciation and amortisation***

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During the three months ended 31 March 2010, depreciation and amortisation was US\$41.7m, a decrease of US\$4.8m, or 10.3%, compared with the three months ended 31 March 2009. The decrease was predominantly due to a reduction in depreciation due to one of the Inmarsat-3 satellites becoming fully depreciated.

### ***Operating profit***

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As a result of the factors discussed above, operating profit during the three months ended 31 March 2010 was US\$102.4m, an increase of US\$31.6m, or 45%, compared with the three months ended 31 March 2009.

### ***Net interest payable***

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Net interest payable for the three months ended 31 March 2010 was US\$16.8m, a decrease of US\$3.6m, or 17.6%, compared with the three months ended 31 March 2009.

Interest payable for the three months ended 31 March 2010 was US\$20.1m, a decrease of US\$0.9m, or 4.3%, compared with the three months ended 31 March 2009. In November 2009 we issued US\$650.0m aggregate principal amount of the Senior Notes due 2017, redeemed US\$160.4m aggregate principal amount of the Senior Notes due 2012 and repaid a portion of the subordinated parent company loan. Additionally, in December 2009, the interest rate on the remaining subordinated parent company loan was reduced to zero per cent. The

result of the refinancing activity, period on period, was a decrease of interest payable on the subordinated parent company loan of US\$11.6m, offset by an increase of interest payable on our Senior Notes in issue of US\$8.8m.

Furthermore, interest increased due to additional interest payable on interest rate swap contracts which were in place during the three months ended 31 March 2010 and increased amortisation of debt issue costs following the capitalisation of costs relating to refinancing activity in 2009.

Interest payable also reflects a credit in relation to the capitalisation of borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use, of US\$1.4m in the three months ended 31 March 2010, compared to US\$0.7m in the three months ended 31 March 2009.

Interest receivable for the three months ended 31 March 2010 was US\$3.3m, an increase of US\$2.7m, or 450% compared with the three months ended 31 March 2009. In the three months ended 31 March 2010, we experienced an unrealised foreign exchange gain on the pension and post-retirement scheme liabilities, due to the movement of the US dollar exchange rate during the period.

### ***Profit before tax***

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As a result of the factors discussed above, profit before tax during the three months ended 31 March 2010 was US\$85.6m, an increase of US\$35.2m, or 70%, compared with the three months ended 31 March 2009.

### ***Income tax expense***

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The tax charge for the three months ended 31 March 2010 was US\$23.1m, an increase of US\$11.9m, or 106%, compared with the three months ended 31 March 2009. The increase in the tax charge was largely driven by the underlying increase in profits for the three months ended 31 March 2010 and the inclusion of the results for Segovia.

The effective tax rate increased from 22.2% for the three months ended 31 March 2009 to 27.0% for the three months ended 31 March 2010. The effective tax rate for the three months ended 31 March 2009 was reduced by the effects of a reduction in permanently disallowable expenditure and a reversal of a previously held deferred tax balance, which have not reoccurred in the three months ended 31 March 2010.

### ***Profit for the period***

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As a result of the factors discussed above, profit for the three months ended 31 March 2010 was US\$62.5m, an increase of US\$23.3m, or 59%, compared with the three months ended 31 March 2009.

### ***Liquidity and capital resources***

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The Group has no debt maturities in the next 12 months and has significant headroom in all of the covenants in our Senior Credit Facility, which we expect to be able to operate within during the coming year. In addition, the Group's business remains highly cash-generative, meaning the Group can reduce debt and continue to fund new investment and dividends to shareholders.

The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities.

The Group's net borrowings (gross of deferred finance costs) are presented in the table below:

(US\$ in millions)	As at 31 March 2010	As at 31 December 2009
Senior Credit Facility	390.0	290.0
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.6)	(4.8)
Subordinated parent company loan	301.3	301.3
Deferred satellite payments	45.6	47.4
Bank overdrafts	1.9	0.9
Intercompany loan	1.4	2.8
<b>Total borrowings</b>	<b>1,385.6</b>	<b>1,287.6</b>
Cash and cash equivalents	(197.4)	(116.8)
<b>Net Borrowings</b>	<b>1,188.2</b>	<b>1,170.8</b>

The table below shows the condensed consolidated cash flow for the Group for the three months ended 31 March 2010:

(US\$ in millions)	Three months ended 31 March	
	2010	2009
Net cash from operating activities	138.2	100.7
Net cash used in investing activities	(136.5)	(48.2)
Net cash from/(used in) financing activities	79.4	(11.0)
Foreign exchange adjustment	(1.5)	0.5
<b>Net increase in cash and cash equivalents</b>	<b>79.6</b>	<b>42.0</b>

The increase in net cash generated from operating activities of US\$37.5m primarily relates to working capital movements in respect of the change in payment terms following the signing of the new distribution agreements in April 2009 and increased EBITDA.

The increase in net cash used in investing activities of US\$88.3m predominantly reflects US\$107.7m cash paid (including transaction costs and net of cash acquired) for the purchase of Segovia. Capital expenditure, including own work capitalised, decreased by US\$19.5m. This was due to the shift in capital expenditure from milestone payments in respect of the third Inmarsat-4 satellite and the SAS in Hawaii, to expenditure on the GPS network and terminals and the Alphasat satellite project. Cash used in investing activities may fluctuate with the timing of milestone payments on current projects.

Net cash from financing activities during the three months ended 31 March 2010 was US\$79.4m, compared with net cash used in financing activities of US\$11.0m for the three months ended 31 March 2009. During the three months ended 31 March 2010, the Group drew down US\$100.0m on the revolving element of the Senior Credit Facility (US\$300.0m facility) and received US\$86.1m in intercompany funding. Offsetting these inflows was the outflow of cash in relation to the payment of the second interim dividend for the 2009 financial year to Inmarsat Holdings Limited, our parent company. In addition, the Group paid US\$6.0m of interest on the Senior Notes and Senior Credit Facility, compared to US\$11.1m in the three months ended 31 March 2009.

## **Free cash flow**

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(US\$ in millions)	Three months ended 31 March	
	2010	2009
Cash generated from operations	138.8	100.7
Capital expenditure	(22.5)	(40.1)
Capitalised operating costs	(5.0)	(6.9)
Net cash interest paid	(5.9)	(11.0)
Cash tax paid	(0.7)	(0.1)
<b>Free cash flow</b>	<b>104.7</b>	<b>42.6</b>

The increase in free cash flow of US\$62.1m, or 146%, is attributable to increased EBITDA, the decrease in capital expenditure, working capital movements in respect of the change in payment terms following the signing of the new distribution agreements in April 2009 and the reduction in net interest paid.

## **Recent Events**

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On 4 May 2010 our parent company, Inmarsat plc, announced a reorganisation plan under which the ownership of Stratos Global Corporation and its subsidiaries ("Stratos") will be transferred to the Group. Under the reorganisation plan we will provide a loan to Stratos in an amount sufficient to fund the repayment of all of Stratos' outstanding debt (net of certain cash balances at Stratos that will be used to partially prepay the Stratos debt at the same time). At the end of December 2009, Stratos had outstanding debt of US\$209.3m under its senior secured facilities and US\$150.0m under its senior unsecured notes, and had cash and cash equivalents of US\$98.3m. As a result of the reorganisation, which will be completed in June, Stratos will become an indirect wholly-owned subsidiary of the Group and be subject to the terms of our outstanding debt, including the 7.375% Senior Notes due 2017.

Subsequent to 31 March 2010, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated financial results of the Group.

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
(unaudited)

(US\$ in millions)	Three months ended 31 March	
	2010	2009
<b>Revenue</b>	<b>200.7</b>	<b>163.4</b>
Employee benefit costs	(27.3)	(25.4)
Network and satellite operations costs	(16.8)	(9.8)
Other operating costs	(16.0)	(16.1)
Work performed by the Group and capitalised	3.5	5.2
<b>EBITDA</b>	<b>144.1</b>	<b>117.3</b>
Depreciation and amortisation	(41.7)	(46.5)
<b>Operating profit</b>	<b>102.4</b>	<b>70.8</b>
Interest receivable and similar income	3.3	0.6
Interest payable and similar charges	(20.1)	(21.0)
Net interest payable	(16.8)	(20.4)
<b>Profit before income tax</b>	<b>85.6</b>	<b>50.4</b>
Income tax expense	(23.1)	(11.2)
<b>Profit for the period</b>	<b>62.5</b>	<b>39.2</b>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(unaudited)

(US\$ in millions)	Three months ended 31 March	
	2010	2009
<b>Profit for the year</b>	<b>62.5</b>	<b>39.2</b>
<b>Other comprehensive income:</b>		
Net (losses)/gains on cash flow hedges	(13.8)	8.1
Tax credited/(charged) directly to equity	4.3	(1.9)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(9.5)</b>	<b>6.2</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>53.0</b>	<b>45.4</b>

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(US\$ in millions)	As at 31 March 2010 (unaudited)	As at 31 December 2009 (audited)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,247.2	1,258.8
Intangible assets	671.7	525.4
Derivative financial instruments	5.4	12.0
Other receivables	35.9	27.4
	<b>1,960.2</b>	<b>1,823.6</b>
<b>Current assets</b>		
Cash and cash equivalents	197.4	116.8
Trade and other receivables	182.5	167.1
Inventories	1.9	1.0
Derivative financial instruments	5.9	13.0
Restricted cash <sup>(1)</sup>	6.2	–
	<b>393.9</b>	<b>297.9</b>
<b>Total assets</b>	<b>2,354.1</b>	<b>2,121.5</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings	201.1	100.2
Trade and other payables	285.6	160.4
Current income tax liabilities	46.9	30.0
Provisions	0.4	0.5
Derivative financial instruments	16.6	14.1
	<b>550.6</b>	<b>305.2</b>
<b>Non-current liabilities</b>		
Borrowing	1,163.0	1,164.3
Other payables	48.6	14.8
Provisions	46.0	48.5
Deferred income tax liabilities	4.1	2.9
Derivative financial instruments	14.7	12.9
	<b>1,276.4</b>	<b>1,243.4</b>
<b>Total liabilities</b>	<b>1,827.0</b>	<b>1,548.6</b>
<b>Net assets</b>	<b>527.1</b>	<b>572.9</b>
<b>Shareholders' equity</b>		
Ordinary shares	0.4	0.4
Share premium	346.3	346.3
Other reserves	18.0	25.9
Retained earnings	162.4	200.3
<b>Total shareholders' equity</b>	<b>527.1</b>	<b>572.9</b>

(1) Restricted cash relates to Segovia and represents cash received from customers for the advanced payment of services.

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
(unaudited)

(US\$ in millions)	Three months ended 31 March	
	2010	2009
<b>Cash flow from operating activities</b>		
Cash generated from operations	138.8	100.7
Interest received	0.1	0.1
Income taxes paid	(0.7)	(0.1)
<b>Net cash from operating activities</b>	<b>138.2</b>	<b>100.7</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(22.5)	(40.1)
Work performed by the Group and capitalised	(5.0)	(6.9)
Purchase of Segovia, net of cash acquired	(107.7)	–
Consideration under ACeS collaboration arrangement	(1.3)	(1.2)
<b>Net cash used in investing activities</b>	<b>(136.5)</b>	<b>(48.2)</b>
<b>Cash flow from financing activities</b>		
Interest paid on Senior Notes and Facilities	(6.0)	(11.1)
Draw down of new Revolving Credit Facility	100.0	–
Intercompany funding	86.1	0.1
Dividends paid	(100.7)	–
<b>Net cash from/(used in) financing activities</b>	<b>79.4</b>	<b>(11.0)</b>
Foreign exchange adjustment	(1.5)	0.5
<b>Net increase in cash and cash equivalents</b>	<b>79.6</b>	<b>42.0</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of period	115.9	45.5
Net increase in cash and cash equivalents	79.6	42.0
<b>As reported on balance sheet (net of bank overdrafts)</b>	<b>195.5</b>	<b>87.5</b>
<b>At end of period, comprising</b>		
Cash and cash equivalents per the balance sheet	197.4	87.9
Bank overdrafts	(1.9)	(0.4)
	<b>195.5</b>	<b>87.5</b>

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(US\$ in millions)	Ordinary share capital	Share premium account	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2009 (audited)</b>	<b>0.4</b>	<b>346.1</b>	<b>(14.2)</b>	<b>188.0</b>	<b>520.3</b>
Profit for the year	–	–	–	171.6	171.6
Dividend paid	–	–	–	(144.9)	(144.9)
Actuarial losses from pension and post- retirement benefits	–	–	–	(20.9)	(20.9)
Issue of share capital	–	0.2	–	–	0.2
Share option charge	–	–	7.9	–	7.9
Net fair value gains – cash flow hedges	–	–	44.8	–	44.8
Tax (charged)/credited directly to equity	–	–	(12.6)	6.5	(6.1)
<b>Balance at 31 December 2009 (audited)</b>	<b>0.4</b>	<b>346.3</b>	<b>25.9</b>	<b>200.3</b>	<b>572.9</b>
Profit for the period	–	–	–	62.5	62.5
Dividend paid	–	–	–	(100.7)	(100.7)
Share option charge	–	–	1.9	–	1.9
Net fair value losses – cash flow hedges	–	–	(13.8)	–	(13.8)
Tax credited directly to equity	–	–	4.0	0.3	4.3
<b>Balance at 31 March 2010 (unaudited)</b>	<b>0.4</b>	<b>346.3</b>	<b>18.0</b>	<b>162.4</b>	<b>527.1</b>

# Notes to the Condensed Consolidated Financial Statements

## 1. General information

The principal activity of Inmarsat Group Limited and its subsidiaries (together "the Group") is the provision of mobile satellite communications services ("MSS").

These unaudited condensed consolidated financial results were approved for issue by the Board of Directors on 11 May 2010.

The financial information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009 will be delivered to the Registrar of Companies.

## 2. Principal accounting policies

### *Basis of preparation*

The unaudited Group results for the three months ended 31 March 2010 have been prepared on a basis consistent with the International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2009, and which are available on our website at [www.inmarsat.com](http://www.inmarsat.com). The unaudited condensed consolidated interim financial statements are based upon accounting policies and methods consistent with those used and described in the Group's annual consolidated financial statements prepared under IFRS, set out on pages 7 to 54. There have been no significant new standards which impact the Group. Operating results for the three months ended 31 March 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. The consolidated balance sheet as at 31 December 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

### *Basis of accounting*

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best estimate of the amount, event or actions, these results ultimately may differ from those estimates.

Accounting policies adopted in preparing these condensed consolidated interim financial statements have been selected in accordance with IFRS.

### *Acquisition of Segovia*

On 12 January 2010, we completed the acquisition of the business and assets of Segovia, Inc. ("Segovia") for an initial consideration of US\$110.0m, and may pay additional amounts depending on the performance of the acquired business over the next three years. We have accounted for the acquisition of Segovia, on a provisional basis, using the purchase method of accounting in accordance with IFRS 3 (as revised), 'Business Combinations'. The consolidated results of the Group for the three months ended 31 March 2010 include the financial results of Segovia for the period 12 January 2010 to 31 March 2010. As at 31 March 2010, we had provisionally accounted for US\$8.1m of net assets (including cash acquired) and US\$145.8m of goodwill as a result of the acquisition of Segovia. A fair value allocation of the assets and liabilities will be completed during 2010.

### 3. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Management Board to allocate resources and assess performance. Information reported to the Executive Management is focused on the core operation of the Group, being the supply of MSS. MSS therefore represents the one reportable segment of the Group.

MSS revenue is derived from the supply of airtime, equipment and services to our distribution partners and end-users of mobile satellite communications and represents the Group's revenues from its sale of major products and services to external customers. In addition, for the purposes of segment reporting, MSS includes the results of Segovia as it is not deemed a separately reportable segment by virtue of its relative size.

'Unallocated' principally comprises income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations. 'Unallocated' also includes Group borrowings and the related interest expense.

Three months ended 31 March 2010 (unaudited)			
(US\$ in millions)	MSS <sup>(a)</sup>	Unallocated	Total
Revenue	198.6	2.1	200.7
Segment result (operating profit/(loss))	101.9	0.5	102.4
Net interest charged to the Income Statement	–	(16.8)	(16.8)
Profit before income tax			85.6
Income tax expense			(23.1)
Profit for the period			62.5
Segment assets	2,156.7	197.4	2,354.1
Segment liabilities	(411.9)	(1,415.1)	(1,827.0)
Capital expenditure <sup>(b)</sup>	(27.3)	–	(27.3)
Depreciation	(36.3)	–	(36.3)
Amortization of intangible assets	(5.4)	–	(5.4)

(a) Includes the results of Segovia from 12 January 2010.

(b) Capital expenditure stated using accruals basis.

Three months ended 31 March 2009 (unaudited)			
(US\$ in millions)	MSS	Unallocated	Total
Revenue	161.7	1.7	163.4
Segment result (operating profit/(loss))	71.1	(0.3)	70.8
Net interest charged to the Income Statement	–	(20.4)	(20.4)
Profit before income tax			50.4
Income tax expense			(11.2)
Profit for the period			39.2
Segment assets	2,062.1	108.7	2,170.8
Segment liabilities	(195.1)	(1,408.2)	(1,603.3)
Capital expenditure <sup>(a)</sup>	(46.7)	–	(46.7)
Depreciation	(40.9)	–	(40.9)
Amortization of intangible assets	(5.6)	–	(5.6)

(a) Capital expenditure stated using accruals basis.

#### 4. Net interest payable

(US\$ in millions)	Three months ended	
	2010	31 March (unaudited) 2009
Interest on subordinated parent company loan	–	(11.6)
Interest on Senior Notes and Senior Credit Facility	(14.7)	(5.9)
Unwinding of discount on deferred satellite liabilities	(0.7)	(0.7)
Amortisation of debt issue costs	(1.6)	(0.7)
Pension and post-retirement liability finance costs	–	(0.2)
Other interest	(1.1)	(0.2)
Interest rate swaps	(3.4)	(2.4)
<b>Interest payable and similar charges</b>	<b>(21.5)</b>	<b>(21.7)</b>
Less: Amounts included in the cost of qualifying assets	1.4	0.7
<b>Total interest payable and similar charges</b>	<b>(20.1)</b>	<b>(21.0)</b>
Bank interest receivable and other interest	0.7	0.6
Unrealised foreign exchange movement on Pension and post-retirement liability	2.6	–
<b>Total interest receivable and similar income</b>	<b>3.3</b>	<b>0.6</b>
<b>Net interest payable</b>	<b>(16.8)</b>	<b>(20.4)</b>

#### 5. Borrowings

Borrowings are shown net of unamortised deferred finance costs, which have been allocated as follows:

(US\$ in millions)	As a 31 March 2010 (unaudited)			As at 31 December 2009 (audited)		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
<b>Current:</b>						
Bank overdrafts	1.9	–	1.9	0.9	–	0.9
Deferred satellite payments	9.2	–	9.2	9.3	–	9.3
Senior Credit Facility	190.0	–	190.0	90.0	–	90.0
<b>Total current borrowings</b>	<b>201.1</b>	<b>–</b>	<b>201.1</b>	<b>100.2</b>	<b>–</b>	<b>100.2</b>
<b>Non-current:</b>						
Senior Credit Facility	200.0	(9.5)	190.5	200.0	(10.6)	189.4
Subordinated parent company loan						
– principal	301.3	–	301.3	301.3	–	301.3
Senior Notes due 2017	650.0	(12.0)	638.0	650.0	(12.5)	637.5
– issuance discount	(4.6)	–	(4.6)	(4.8)	–	(4.8)
Deferred satellite payments	36.4	–	36.4	38.1	–	38.1
Intercompany loan	1.4	–	1.4	2.8	–	2.8
<b>Total non-current borrowings</b>	<b>1,184.5</b>	<b>(21.5)</b>	<b>1,163.0</b>	<b>1,187.4</b>	<b>(23.1)</b>	<b>1,164.3</b>
<b>Total Borrowings</b>	<b>1,385.6</b>	<b>(21.5)</b>	<b>1,364.1</b>	<b>1,287.6</b>	<b>(23.1)</b>	<b>1,264.5</b>
Cash and cash equivalents	(197.4)	–	(197.4)	(116.8)	–	(116.8)
<b>Net Borrowings</b>	<b>1,188.2</b>	<b>(21.5)</b>	<b>1,166.7</b>	<b>1,170.8</b>	<b>(23.1)</b>	<b>1,147.7</b>