



Press Release

Inmarsat plc Reports Preliminary Full Year Results 2010

London, UK: 7 March 2011. Inmarsat plc (LSE: ISAT.L), the leading provider of global mobile satellite communications services, today reported preliminary consolidated financial results for the year ended 31 December 2010.

Inmarsat plc – Full Year 2010 Highlights

- Total revenue \$1,171.6m up 12.9% (2009: \$1,038.1m)
- Inmarsat Global MSS revenue \$727.0m up 6.5% (2009: \$682.8m)
- EBITDA \$696.1m up 17.1% (2009: \$594.2m)
- Profit before tax \$333.5m up 69.4% (2009: \$196.9m)
- Final dividend of 22.69 cents (US\$) up 10%
- Global Xpress investment programme launched and on track
- LightSquared agreement triggers new revenues

Inmarsat Group Limited - Q4 2010 Highlights

- Total revenue \$292.1m up 8.4% (2009: \$269.4m)
- EBITDA \$171.8m up 18.2% (2009: \$145.3m)

Andrew Sukawaty, Inmarsat's Chairman and Chief Executive Officer, said, "We delivered a strong performance in 2010 with total revenues up 12.9% driven by growth of 6.5% in core MSS revenues and by a second half contribution from our Cooperation Agreement with LightSquared. While a slowdown in growth in the last quarter of 2010 and early 2011 has resulted from lower usage levels for some of our products, continued growth in new terminal activations and positive market reaction to our new services mean that we remain confident in future MSS growth prospects and in our 5-year growth target. In addition, in 2011 we will recognise substantial revenue in connection with our Cooperation Agreement with LightSquared."

Inmarsat plc Revenue

(US\$ in millions)	2010	2009	Increase %
Inmarsat Global	764.1	694.8	10.0%
Stratos	716.8	644.1	11.3%
	1,480.9	1,338.9	10.6%
Intercompany eliminations and adjustments	(309.3)	(300.8)	
Total revenue	1,171.6	1,038.1	12.9%

Inmarsat Global

Revenue (US\$ in millions)	2010	2009	Increase/ (decrease) %
Maritime sector			
Voice services	98.1	104.7	(6.3%)
Data services	262.5	252.3	4.0%
Total maritime sector	360.6	357.0	1.0%
Land mobile sector			
Voice services	7.3	8.5	(14.1%)
Data services	146.4	138.0	6.1%
Total land mobile sector	153.7	146.5	4.9%
Aeronautical sector	101.0	75.8	33.2%
Leasing	111.7	103.5	7.9%
Total mobile satellite communications services	727.0	682.8	6.5%
Other income	37.1	12.0	209.2%
Total revenue	764.1	694.8	10.0%

Although demand for FleetBroadband terminals remained strong throughout the year with over 10,000 terminals added, maritime revenue growth underperformed our expectations. As FleetBroadband pricing is typically lower than older services being replaced, the pace of migration has impacted revenue growth. Over time we expect to offset this effect as usage grows in response to the increased service capability. In addition to the impact of challenging economic conditions in the shipping industry, we are also seeing contraction in demand for voice services due to email substitution and greater competition from other providers. Although a lesser factor, competition from VSAT service offerings has also increased since the announcement of our Global Xpress service.

We are introducing pricing packages with our FleetBroadband service that have already proved successful with AP Moller-Maersk, the world's largest ship operator. We believe these packages will continue to gain customer traction and help retain FleetBroadband's market leading position. In addition, increasing market awareness of our planned Ka-band services is incentivising customers to remain with our existing services until our Global Xpress service enters the market.

Growth in our land mobile sector revenue was driven by demand for our BGAN service, which during the first half saw a positive contribution from global events offset by lower usage levels from Afghanistan and Iraq. During the second half of 2010 we continued to add new BGAN subscribers and maintained a steady monthly ARPU. Although our handheld satellite phone service, IsatPhone Pro, was launched in June and has been well received by the market, the early stage of this service meant that the contribution to revenue was not material in the year. In addition we continue to advance our presence in the satellite low data rate market where we expect to benefit from new products in 2011.

Strong aeronautical revenue growth was driven by particularly high usage of our Swift 64 service by government customers for much of the year, before usage levels normalised during the fourth quarter. However, SwiftBroadband additions remained strong throughout the year and, in response to this demand, we added a lower cost variant called SwiftBroadband 200 in October.

Although we saw strong leasing business growth for the year as a whole, the anticipated end of a significant aeronautical lease and a reduction in a maritime lease during the fourth quarter resulted in lower total lease inventory at the end of the year.

Stratos

Revenue			Increase/ (decrease)
(US\$ in millions)	2010	2009	%
MSS revenue			
Inmarsat MSS	433.7	427.1	1.5%
Other MSS	123.7	125.9	(1.7%)
Total MSS revenue	557.4	553.0	0.8%
Broadband (including Segovia)	159.4	91.1	75.0%
Total revenue	716.8	644.1	11.3%

In January 2010 we completed the acquisition of Segovia, a provider of managed communications solutions principally to US government agencies, and report revenue from this business within our Stratos segment. Revenue growth in our Stratos Broadband business predominately resulted from the newly recognised Segovia revenue.

Outlook

In our Inmarsat Global maritime business, we expect the ongoing strong growth of FleetBroadband to continue to constrain our revenue growth given the lower price of data services as usage levels build. In addition, we expect maritime voice revenue to continue to be impacted by email substitution and increased competition.

While land mobile revenues will remain susceptible to volatility, both BGAN and IsatPhone Pro are attracting new users and traffic to our network which will drive growth. Overall growth in the early part of 2011 will be impacted by comparability due to non-recurring event revenues in the early part of 2010.

In our aeronautical business, we expect increasing demand for SwiftBroadband from existing and new users to drive incremental revenues. However, the high government customer usage levels seen in 2010 have normalised and we expect our aeronautical growth in 2011 overall to be affected by the continuation of a lower level of activity and by budget constraints.

Our pipeline for new leasing business is encouraging and therefore we expect to rebuild our total leasing inventory during the year.

Overall we expect growth in our core MSS revenues for 2011 to be between 2% and 4%, with growth weighted to the second half of the year due to comparability affected by the high level of event revenue seen in early 2010. In addition we expect to recognise between \$187m and \$207m of revenue in connection with our Cooperation Agreement with LightSquared.

We expect some limited incremental operating costs in relation to our Global Xpress programme and up to \$20m of operating costs in relation to Phase 1 of our Cooperation Agreement with LightSquared.

Our Alphasat and Global Xpress investment plans remain on track as to schedule and total capital costs. We expect that cash used for capital expenditure in 2011 will be between \$450-550m.

We see no change in our dividend growth commitments and therefore expect dividend growth of at least 10% for 2011 compared to 2010.

Liquidity

At 31 December 2010, the Inmarsat plc group had net borrowings of \$1,139.2m, made up of cash and cash equivalents of \$343.8m and total borrowings of \$1,483.0m. Taking into consideration our cash on hand and available but undrawn borrowing facilities of \$300.0m, the group had total available liquidity at 31 December 2010 of \$643.8m.

Our Financial Reports

While Inmarsat plc is the ultimate parent company of our group, our subsidiary Inmarsat Group Limited is required by the terms of certain of our debt securities to report consolidated financial results. We expect that a copy of the full year 2010 results for Inmarsat Group Limited will be posted to our website on or before 30 April 2011.

To assist analysts and investors in their understanding of the results announced today, the following unaudited tables for Inmarsat Group Limited for the fourth quarter are provided below.

Inmarsat Group Limited Revenue Breakdown (unaudited)	Fourth quarter ended December 31,		
	2010	2009	%
	Difference		
Revenues	(US\$ in millions)		
Maritime sector:			
voice services	24.7	25.7	(3.9%)
data services	66.6	65.5	1.7%
Total maritime sector	91.3	91.2	0.1%
Land mobile sector:			
voice services	1.9	2.0	(5.0%)
data services	36.0	35.7	0.8%
Total land mobile sector	37.9	37.7	0.5%
Aeronautical sector	24.2	20.6	17.5%
Leasing	25.6	27.4	(6.6%)
Total MSS revenue	179.0	176.9	1.2%
Other income	16.1	4.6	250.0%
Total revenue	195.1	181.5	7.5%

Stratos Revenue Breakdown (unaudited)	Fourth quarter ended December 31,		
	2010	2009	%
	Difference		
MSS Revenue	(US\$ in millions)		
Inmarsat MSS	105.6	110.0	(4.0%)
Other MSS	29.3	34.6	(15.3%)
Total MSS revenue	134.9	144.6	(6.7%)
Broadband	40.1	22.2	80.6%
Total Stratos revenues	175.0	166.8	4.9%

Other Information

A webcast recording of our results presentation to be held on 7 March at 9:30am will be posted to our website after the event. To access the webcast please go to the investor relations section of our website at www.inmarsat.com. Inmarsat management will also host a conference call on Monday, 7 March at 2:00pm London time (United States 9:00am EST). To access the call please dial +44 (0)20 7031 0088 and quote conference id 887406. A replay of the call will be available for one week after the event. To access the replay please dial +44 (0)20 7031 4064 and enter access code 887406. The call will also be available by webcast accessible via the investor relations section of our website.

Forward-looking Statements

Certain statements in this announcement constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances.

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INMARSAT PLC

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS

For the year ended 31 December 2010

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 Report for the year ended 31 December 2009, which can be accessed via our website at 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, own work capitalised, 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 profit for the period and operating profit 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, depreciation and amortisation, share of results of associates, gain on disposal of fixed assets and acquisition-related adjustments. 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 profit for the period, operating profit 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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Responsibility Statement

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2010. Certain parts thereof are not included within this Announcement.

The Directors confirm to the best of their knowledge that:

- (a) the Group consolidated financial statements from which the financial information within these Preliminary Consolidated Financial Results have been extracted, are prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- (b) the Annual Report and the Operating and Financial Review include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The Directors of Inmarsat plc and their respective responsibilities are listed in the Annual Reports for 2009 (listed on our website at www.inmarsat.com) and 2010. There have been no changes in the year. This responsibility statement was approved by the Board of Directors on 7 March 2011 and is signed on its behalf by:

Andrew Sukawaty
Chairman and Chief Executive Officer
7 March 2011

Rick Medlock
Chief Financial Officer
7 March 2011

Operating and Financial Review

The following is a discussion of the audited consolidated results of operations and financial condition of Inmarsat plc (the "Company" or together with its subsidiaries, the "Group") for the year ended 31 December 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

Inmarsat plc is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating its satellite-based network. With a fleet of eleven owned and operated geostationary satellites, our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communications services 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 video conferencing. Our Stratos business ("Stratos"), offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities.

The Group's revenues for the year ended 31 December 2010 were US\$1,171.6m (2009: US\$1,038.1m), EBITDA was US\$696.1m (2009: US\$594.2m) and operating profit was US\$460.6m (2009: US\$356.8m). The results of the Group's operations are reported in U.S. dollars as the majority of our revenues and borrowings are denominated in U.S. dollars.

Acquisition of Segovia

In January 2010, we completed the acquisition 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 three years following the acquisition. 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 accounted for the acquisition of Segovia using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for 2010 include the financial results of Segovia for the period from 12 January 2010 to 31 December 2010. The contingent consideration element relating to 2010 is estimated at US\$13.0m and will be paid during 2011. We accounted for US\$10.9m of the contingent consideration as part of the initial purchase accounting, with the additional US\$2.1m, which arose due to better than expected performance in 2010, being recorded directly in the income statement in line with IFRS 3 (2008).

Segovia is a leading provider of secure IP managed solutions and services to United States government agencies and other commercial customers. We have acquired Segovia in order to strengthen our relationships with key government customers across land, maritime and aeronautical environments as well as to bring enhanced services to the government sector generally. The management team that was in place before the acquisition continues to operate the Segovia business, reporting to Stratos at an executive level. The results of Segovia are included in the Stratos operating segment.

US\$1.2bn investment in next generation Ka-band satellite network

In August 2010, we announced a major new investment project called Global Xpress. Global Xpress will be supported by a global network of Ka-band satellites, the Inmarsat-5 generation, and will be primarily focused on providing super-high bandwidth services to the wider maritime, energy, aeronautical and government satellite communications sectors, which represent incremental long-term growth opportunities. The total expected cost of the Global Xpress programme is US\$1.2bn and we expect to start bringing the Inmarsat-5 satellite network into commercial service in 2013. We have agreed a contract with Boeing Satellite Systems International, Inc (“Boeing”) for the delivery of three Inmarsat-5 satellites. Under a separate arrangement, Boeing has agreed to become a distribution partner for our Global Xpress services and has pre-committed to capacity purchases representing more than 10% of Inmarsat's target Global Xpress revenues in the first five years after service launch.

LightSquared Cooperation Agreement

On 17 August 2010, we received notice from LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together, “LightSquared”) triggering Phase 1 of a cooperation agreement between Inmarsat and LightSquared signed in December 2007 (the “Cooperation Agreement”) under which Inmarsat and LightSquared had agreed a plan to enable the re-banding and efficient reuse of L-band radio spectrum covering North America. Under Phase 1 of the Cooperation Agreement, the parties entered into an eighteen month transition period under which the amount of contiguous L-band spectrum available to both parties for their operations in the Americas will be increased, and provision was implemented to provide further flexibility and operational terms to support the development and deployment of 4G ancillary terrestrial component (“ATC”) services in North America by LightSquared.

In order to implement Phase 1, Inmarsat has begun a process of transition to a modified spectrum plan to increase spectrum contiguity for both Inmarsat and LightSquared. In addition, Inmarsat will incur the cost of certain network and terminal modifications. During this process, LightSquared will make a series of payments to Inmarsat under the Cooperation Agreement totalling US\$368.8m, which includes US\$31.25m paid in December 2009 to maintain the Cooperation Agreement. To date, LightSquared has made payments totalling US\$192.5m. We will be accounting for these and future Phase 1 payments using the percentage of completion method. During 2010, we recognised US\$17.5m of revenue in relation to Phase 1 of the Cooperation Agreement. During 2011, we currently expect to recognise US\$80.0m to US\$100.0m of revenue and up to US\$20.0m of operating costs in relation to Phase 1.

On 28 January 2011, we received notice from LightSquared triggering Phase 2 of the Cooperation Agreement together with a first partial quarterly payment of US\$20.1m. Under Phase 2, Inmarsat will support a phased transition to a further spectrum plan that increases the total spectrum capacity available to LightSquared for ATC services in North America. In return, Inmarsat will receive payments of US\$115.0m per annum, increasing at a rate of 3% annually, with effect from 28 January 2011. The implementation of Phase 2 will cause an eventual reduction in aggregate L-band spectrum available for Inmarsat services over North America. While it is too soon to predict the impact that this early notice and subsequent reduction of spectrum will have on our MSS revenue growth in North America in the coming years, we are confident that we will be able to minimise the service impact on our existing users in this area. We have already taken measures as part of the migration programme to offer enhanced services for customers (such as the Inmarsat B to FleetBroadband migration incentive and safety services over SwiftBroadband programme), and we will continue to encourage users to progressively upgrade to much more spectrum efficient BGAN, SwiftBroadband and FleetBroadband services. Furthermore, starting in 2013, Inmarsat customers will start to benefit from extensive Ka-band services following the launch of our Global Xpress services, which will greatly augment our available spectrum resources in North America. During 2011, we currently expect to recognise US\$107.0m of revenue in relation to Phase 2.

Inmarsat Services

Inmarsat's services were used to support emergency relief efforts worldwide, including Haiti and Chile. With cellular and terrestrial telecoms networks damaged, satellite communications provided essential communications to, and within, these countries. The ability of the Inmarsat-4 satellites to dynamically reallocate capacity to areas of high demand ensured that our services were available to support essential government and aid operations in the immediate regions affected by these natural disasters. Télécoms Sans Frontières, the telecommunications relief aid organisation sponsored by Inmarsat, dispatched teams to these countries equipped with Inmarsat mobile voice and broadband terminals.

The IsatPhone Pro, Inmarsat's first global handheld satellite phone, entered commercial service at the end of June 2010. Global roll-out of the IsatPhone Pro by our distribution partners has started well and while revenues from this service are not yet material, we are satisfied with the progress to date. The service has been performing well and initial feedback from customers and distributors has been positive. A recent independent study of the leading handheld satellite phones on the market has concluded that the IsatPhone Pro outperforms its rivals in a number of critical areas, rating it the best of the handheld satellite phones tested. We believe that the IsatPhone Pro will enhance our land voice offering and enable us to win customers in the handheld voice market, gaining market share from established operators.

In September 2010, an announcement was made that AP Moller – Maersk (“APM”), one of the world's largest shipping companies, had signed a further contract with our service provider, Marlink, to provide FleetBroadband airtime services to an additional 200 APM vessels. In September 2008, APM signed a contract with Marlink for a large-scale retrofit of our FleetBroadband service across its Maersk Supply Service and Maersk Tankers Fleet. Together with the new contract, this brings the total number of APM vessels to be converted to the FleetBroadband service to 370.

In October 2010, SwiftBroadband 200 (“SB200”), a new class of our SwiftBroadband service, became commercially available. SB200 is designed to extend the benefits of Inmarsat aeronautical services to smaller aircraft and provides a lower cost option for IP communications for aircraft operators. The SB200 service is available on all the Inmarsat-4 satellites and provides standard IP data up to 200kbps, circuit-switched voice telephony and streaming IP data up to 16kbps.

In October 2010, Singapore Airlines announced plans to offer OnAir's Inmarsat-supported passenger connectivity services on a large part of its fleet starting in the first half of 2011. The Singapore national carrier has chosen OnAir's GSM/GPRS mobile phone and WiFi internet access services for implementation in its Airbus A340-500s and A380s and Boeing 777-300ERs. The mobile telephony services will enable passengers to send SMS text messages with their GSM-compatible mobile phones, send and receive email messages on smartphones and Blackberry devices and make and receive voice calls.

Financing

In April 2010, we signed an 8-year facility agreement from the European Investment Bank (“EIB”) to fund the build and launch of our Alphasat satellite. An initial draw down of US\$180.0m was made on 30 April 2010 and a final draw down of US\$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning on 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin and is payable in January, April, July and October each year. The facility ranks pari passu with our Senior Credit Facility and ahead of our 7.375% Senior Notes due 2017.

During 2010, we applied to the Export-Import Bank of the United States (“Ex-Im Bank”) for financing support in relation to our Inmarsat-5 programme. In December we received confirmation from Ex-Im Bank that an important stage of our application had been approved. As a result we are continuing to work with Ex-Im Bank to secure financing and, while there can be no assurance that our negotiations will be successful, we have recently moved into the later stages of the process. We will make a public announcement once a definitive outcome has been reached.

Stratos repaid all of its previously outstanding indebtedness, including the Stratos Senior Credit Facility of US\$207.0m in May 2010 and the entire principal amount outstanding of US\$150.0m (US\$62.4m, net of US\$87.6m Stratos Senior Unsecured Notes held by the Group at the date of redemption) of the Stratos Senior Unsecured Notes in June 2010 (the "Stratos Refinancing"). The repayment of the Stratos debt was funded using available liquidity from within the Group.

Dividends

On 1 April 2010, the Company paid a second interim dividend, in lieu of a final dividend, for the year ended 31 December 2009 of 20.63 cents (US\$) per ordinary share. No final dividend for the year ended 31 December 2009 was declared or paid. On 29 October 2010, the Company paid an interim dividend of 14.00 cents (US\$) per ordinary share in respect of the year ended 31 December 2010, a 10.0% increase over 2009.

The Inmarsat plc Board of Directors intends to recommend a final dividend of 22.69 cents (US\$) per ordinary share in respect of the year ended 31 December 2010 to be paid on 27 May 2011 to ordinary shareholders on the register of members at the close of business on 13 May 2011. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 3 May 2011. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2010. The total dividend paid and proposed for the year ended 31 December 2010 equals 36.69 cents (US\$) per ordinary share, a 10.0% increase over 2009, and amounts to US\$168.8m.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat plc for the year ended 31 December 2010. We report two operating segments, namely Inmarsat Global and Stratos. The Stratos segment includes Segovia, which we acquired on 12 January 2010. The table below sets out the results of the Group for the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Revenue	1,171.6	1,038.1	12.9%
Employee benefit costs	(181.7)	(190.0)	(4.4%)
Network and satellite operations costs	(217.1)	(193.4)	12.3%
Other operating costs	(93.8)	(82.4)	13.8%
Own work capitalised	17.1	21.9	(21.9%)
Total net operating costs	(475.5)	(443.9)	7.1%
EBITDA	696.1	594.2	17.1%
Depreciation and amortisation	(234.6)	(231.6)	1.3%
Gain on disposal of assets	–	2.1	(100.0%)
Share of results of associates	1.2	0.9	33.3%
Acquisition-related adjustments	(2.1)	(8.8)	(76.1%)
Operating profit	460.6	356.8	29.1%
Interest receivable and similar income	1.4	1.7	(17.6%)
Interest payable and similar charges	(128.5)	(161.6)	(20.5%)
Net interest payable	(127.1)	(159.9)	(20.5%)
Profit before income tax	333.5	196.9	69.4%
Income tax expense	(72.4)	(44.1)	64.2%
Profit for the period	261.1	152.8	70.9%

Revenues

Total Group revenues for 2010 increased by 12.9% compared with 2009. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Inmarsat Global	764.1	694.8	10.0%
Stratos	716.8	644.1	11.3%
	1,480.9	1,338.9	10.6%
Intercompany eliminations and adjustments	(309.3)	(300.8)	
Total revenue	1,171.6	1,038.1	12.9%

Net operating costs

Total Group net operating costs for 2010 increased by 7.1% compared with 2009. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Inmarsat Global	191.3	199.3	(4.0%)
Stratos	593.3	543.6	9.1%
	784.6	742.9	5.6%
Intercompany eliminations and adjustments	(309.1)	(299.0)	
Total net operating costs	475.5	443.9	7.1%

EBITDA

Group EBITDA for 2010 increased by 17.1% compared with 2009. EBITDA margin has increased to 59% for 2010, compared with 57% for 2009, primarily as a result of the inclusion of the results of Segovia from 12 January 2010, the inclusion of revenue from our Cooperation Agreement with LightSquared and expansion of margins in Inmarsat Global due to MSS revenue growth.

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

(US\$ in millions)	2010	2009	Increase/ (decrease)
Profit for the year	261.1	152.8	70.9%
Add back:			
Income tax expense	72.4	44.1	64.2%
Net interest payable	127.1	159.9	(20.5%)
Depreciation and amortisation	234.6	231.6	1.3%
Share of results of associates	(1.2)	(0.9)	33.3%
Gain on disposal of fixed assets	–	(2.1)	(100.0%)
Acquisition-related adjustments	2.1	8.8	(76.1%)
EBITDA	696.1	594.2	17.1%
EBITDA margin %	59.4%	57.2%	

Depreciation and amortisation

The increase in depreciation and amortisation of US\$3.0m is due to the inclusion of the results of Segovia from 12 January 2010 and depreciation of assets relating to our Global Satellite Phone Service (“GSPS”) following commercial launch at the end of June 2010. Partially offsetting the increase is a reduction in depreciation due to four out of the five Inmarsat-3 satellites becoming fully depreciated.

Gain on disposal of assets

No gain on disposal of assets was recognised during 2010. The gain on disposal of assets recognised during 2009 of US\$2.1m arose from the transfer and disposal of assets by Stratos.

Share of results of associates

During 2010, we recorded US\$1.2m in respect of earnings from associates compared to US\$0.9m during 2009. The earnings from associates arose from equity accounted investments held by Stratos.

Acquisition-related adjustments

During 2010, we recorded an adjustment of US\$2.1m relating to increased contingent consideration in respect of our acquisition of Segovia. In line with IFRS 3 (2008), the contingent consideration adjustment is charged as an expense to the income statement. This is due to the better-than-expected performance of Segovia against the earn-out targets in 2010. During 2009, we recorded a US\$8.8m adjustment to the carrying amount of goodwill following the recognition of a deferred tax asset relating to unutilised capital allowances arising in Stratos' UK entities.

Operating profit

As a result of the factors discussed above, operating profit during 2010 was US\$460.6m, an increase of US\$103.8m, or 29%, compared with 2009.

Interest

Net interest payable for 2010 was US\$127.1m, a decrease of US\$32.8m, or 21%, compared with 2009.

Interest payable for 2010 was US\$128.5m, a decrease of US\$33.1m, or 20%, compared with 2009. Accounting for the majority of the decrease were the one-off items amounting to US\$29.3m that we incurred in 2009 in connection with our refinancing activity. In addition, we incurred lower interest on our Senior Notes and credit facilities as a result of the refinancing

and we recorded a small unrealised foreign exchange gain on Inmarsat Global's pension and post-retirement scheme liabilities in 2010 compared to a loss in 2009.

Partially offsetting the decrease in interest payable is an increase in interest incurred on the interest rate swaps and the Convertible Bond in 2010. In addition we recognised net redemption premia of US\$3.1m and wrote-off US\$5.8m of unamortised arrangement costs in respect of the Stratos Refinancing in 2010.

Interest receivable for 2010 was US\$1.4m compared to US\$1.7m in 2009.

Profit before tax

For 2010, profit before tax was US\$333.5m, an increase of US\$136.6m, or 69% compared with 2009. The increase is due primarily to increased underlying Group revenues and EBITDA, the inclusion of revenue in respect of our Cooperation Agreement with LightSquared, the inclusion of Segovia's results from 12 January 2010 and decreased net interest payable. The increase is partially offset by increased underlying Group operating costs in the year.

Income tax expense

The tax charge for 2010 was US\$72.4m, an increase of US\$28.3m, or 64%, compared with 2009. The increase in the tax charge is largely driven by the underlying increase in profits for 2010 and the inclusion of the results of Segovia from 12 January 2010.

The effective tax rate for 2010 was 21.7% compared to 22.4% for 2009. The 2010 effective tax rate was reduced by US\$7.0m of non-recurring current year tax benefits and a US\$13.5m credit on prior year tax positions. The 2009 effective tax rate was reduced due to a one-off tax credit of US\$8.8m recognised during 2009, which arose from the recognition of a deferred tax asset relating to unutilised capital allowances in Stratos' UK entities.

Profit for the period

As a result of the factors discussed above, profit for 2010 was US\$261.1m, an increase of US\$108.3m, or 71%, compared with 2009.

Earnings per share

For 2010, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 57 cents (US\$) and 57 cents (US\$), respectively, compared with 33 cents (US\$) and 35 cents (US\$), respectively for 2009.

The 2009 basic and diluted earnings per share adjusted to exclude the after tax effect of the one-off costs of US\$28.8m (US\$20.7m net of tax) in relation to the refinancing of our previous debt facilities, the goodwill adjustment of US\$8.8m and the associated tax credit of US\$8.8m, were 38 cents (US\$) and 39 cents (US\$), respectively. There are no comparable adjustments in 2010. Therefore we do not present adjusted basic and diluted earnings per share for 2010.

Inmarsat Global Results

Revenues

During 2010, revenues from Inmarsat Global were US\$764.1m, an increase of US\$69.3m, or 10.0%, compared with 2009. Growth in MSS revenues accounted for 6.4 percentage points of the overall percentage total revenue growth year on year. Revenues from the LightSquared Cooperation Agreement accounted for 2.5 percentage points and revenues from the sale of terminals accounted for 1.0 percentage points, of the overall percentage growth in total revenue year over year. The growth in MSS revenues has been driven by services such as BGAN, Swift 64 and FleetBroadband, as well as from new leasing business. The table below sets out the components of Inmarsat Global's revenue for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Revenues			
Maritime sector:			
Voice services	98.1	104.7	(6.3%)
Data services	262.5	252.3	4.0%
Total maritime sector	360.6	357.0	1.0%
Land mobile sector:			
Voice services	7.3	8.5	(14.1%)
Data services	146.4	138.0	6.1%
Total land mobile sector	153.7	146.5	4.9%
Aeronautical sector	101.0	75.8	33.2%
Leasing	111.7	103.5	7.9%
Total MSS revenue	727.0	682.8	6.5%
Other income	37.1	12.0	209.2%
Total revenue	764.1	694.8	10.0%

Total active terminal numbers as at 31 December 2010 increased by 10.1%, compared with 31 December 2009. The table below sets out the active terminals by sector for each of the years indicated:

(000's)	As at 31 December 2010	2009	Increase/ (decrease)
Active terminals ^(a)			
Maritime	181.7	171.8	5.8%
Land mobile	88.5	73.7	20.1%
Aeronautical	12.4	11.1	11.7%
Total active terminals	282.6	256.6	10.1%

(a) 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 December. Active terminals also include the average number of certain SPS 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 December 2010, we had 215,895 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 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. 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 2010, volume discounts were US\$41.8m, a decrease of US\$11.6m, or 22%, compared with 2009. The decrease reflects the changes in the VDS discussed above and lower revenues from the services remaining eligible for VDS. 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 2010, revenues from the maritime sector were US\$360.6m, an increase of US\$3.6m, or 1.0%, compared with 2009.

Revenues from data services in the maritime sector during 2010 were US\$262.5m, an increase of US\$10.2m, or 4.0%, compared with 2009. The increase in revenues from data services reflects strong growth in our FleetBroadband service. We have added over 10,000 FleetBroadband terminals in the year, more than double the number added in 2009. We believe that the accelerated adoption of our FleetBroadband service has partially constrained our rate of revenue growth as the price of services using FleetBroadband is typically less than the price of equivalent services on the terminals being replaced or upgraded. However, over time, we expect to offset this effect through usage growth in response to increased service capability and faster speeds available through FleetBroadband. Although a lesser factor, competition from VSAT service offerings has also increased since the announcement of our Global Xpress service. In addition, we believe the challenging economic and competitive environment for the shipping industry during 2010 has also impacted our rate of revenue growth when compared to prior periods.

As expected, revenue from our Inmarsat B service is decreasing due to the natural run-off of this mature service, which will be discontinued on 31 December 2014. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with 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. The rates of decline of both these services have accelerated as the year progressed.

Revenues from voice services in the maritime sector during 2010 were US\$98.1m, a decrease of US\$6.6m or 6.3% compared with 2009. Growth in demand for voice services among users of our FleetBroadband service was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services. The decline in revenues from voice services in the maritime sector can be attributed to a combination of factors, including the current economic environment for the shipping industry, the substitution effect of voice usage to email and Voice Over IP and some increased competition. Revenues are also negatively impacted by product mix changes as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower.

Land Mobile Sector. During 2010, revenues from the land mobile sector were US\$153.7m, an increase of US\$7.2m, or 4.9%, compared with 2009.

Revenues from data services in the land mobile sector during 2010 were US\$146.4m, an increase of US\$8.4m, or 6.1%, compared with 2009. Growth in BGAN revenue was partially offset by the decline in GAN high-speed data traffic, particularly following reduced traffic levels from government users in the Middle East. Usage of our BGAN service in this region has historically been volatile and has affected our results from time to time.

Revenues from BGAN services for 2010 were US\$117.4m, an increase of US\$18.7m, or 18.9%, compared with 2009. These figures include voice, data and subscription revenues. As at 31 December 2010, active BGAN subscribers were 49,172 compared with 33,571 as at 31 December 2009, an increase of 15,601 or 46% year on year. BGAN subscribers include 5,800 low usage subscribers activated at the end of March 2010 for the May 2010 election in the Philippines. Disaster relief efforts by aid agencies and government organisations and additional usage by media companies, in response to the earthquakes in Haiti and Chile, resulted in an estimated US\$5.5m in incremental BGAN revenues during 2010.

Revenues from voice services in the land mobile sector during 2010 were US\$7.3m, a decrease of US\$1.2m, or 14.1%, compared with 2009. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators, however we are seeing growth in our BGAN voice service which now accounts for over 50% of voice revenues. Although we launched our handheld satellite phone, IsatPhone Pro, at the end of June 2010, the early stage of service introduction meant it made no material contribution during the year, however we are confident that this will contribute to land voice revenue growth in the coming years.

Aeronautical Sector. During 2010, revenues from the aeronautical sector were US\$101.0m, an increase of US\$25.2m, or 33%, compared with 2009. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 4.1% increase in active channels compared with 2009. In addition, we experienced strong growth in revenues from our SwiftBroadband service, which has now gained widespread industry acceptance, with growth in active channels of 140% year on year. Our low-speed data services also benefited from increased industry demand. Our Swift 64 and SwiftBroadband services target the government aircraft and business jet markets as well as being used by commercial airlines.

Leasing. During 2010, revenues from leasing were US\$111.7m, an increase of US\$8.2m, or 7.9%, compared with 2009. The increase is a result of additional government contracts for land-based services and the expansion of Swift 64 leases for certain aeronautical customers, partially offset by the non-renewal of an aeronautical contract and the reduction of a maritime contract, towards the end of 2010.

Other income. Other income for 2010 was US\$37.1m, an increase of US\$25.1m or 209%, compared with 2009. The increase is predominantly due to US\$17.5m of revenue recorded in respect of the LightSquared Cooperation Agreement and US\$8.1m of revenue relating to the sale of IsatPhone Pro terminals and accessories.

Net operating costs

Net operating costs in 2010 decreased by 4.0% compared with 2009. The table below sets out the components of Inmarsat Global's net operating costs for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Employee benefit costs	91.6	110.4	(17.0%)
Network and satellite operations costs	43.7	43.3	0.9%
Other operating costs	70.0	64.8	8.0%
Own work capitalised	(14.0)	(19.2)	(27.1%)
Net operating costs	191.3	199.3	(4.0%)

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is US dollars. Approximately 60% of Inmarsat Global's costs are denominated in Pounds Sterling. Net operating costs in 2010 have been affected by a favourable movement in Inmarsat Global'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 year has resulted in a decrease in comparative costs of US\$26.0m. We have completed hedging arrangements for our anticipated sterling costs in both 2011 and 2012. As a result, we expect our hedged rate of exchange for 2011 to be US\$1.51/£1.00 and for 2012 to be US\$1.48/£1.00.

Employee benefit costs. Employee benefit costs decreased by US\$18.8m in 2010 compared to 2009, due primarily to the favourable movement in Inmarsat Global's hedged rate of exchange. In addition, we recorded costs in respect of an award of shares to employees under the Share Incentive Plan in 2009. Partially offsetting the decrease were additional staff costs due to an increase in total full-time equivalent headcount (510 at 31 December 2010 compared to 490 at 31 December 2009) and employee cost increases in 2010.

Network and satellite operations costs. Network and satellite operations costs for 2010 were broadly in line with 2009.

Other operating costs. Other operating costs for 2010 increased by US\$5.2m compared to 2009. The increase relates predominantly to a foreign exchange loss of US\$0.2m in 2010, compared to a foreign exchange gain of US\$8.1m in 2009 and to higher direct cost of sales due to IsatPhone Pro terminal sales. Partially offsetting the increase was a decrease in accommodation costs due to the favourable movement in Inmarsat Global's hedged rate of exchange. In addition, we expensed US\$3.9m of fees in relation to our acquisition of Segovia, in 2009. We did not expense any fees in relation to the Segovia acquisition in 2010.

Own work capitalised. The decrease in own work capitalised for 2010 of US\$5.2m, compared 2009, is predominantly a result of the movement in the Group's hedged rate of exchange.

Operating profit

(US\$ in millions)	2010	2009	Increase/ (decrease)
Total revenue	764.1	694.8	10.0%
Net operating costs	(191.3)	(199.3)	(4.0%)
EBITDA	572.8	495.5	15.6%
EBITDA margin %	75.0%	71.3%	
Depreciation and amortisation	(169.4)	(179.9)	(5.8%)
Operating profit	403.4	315.6	27.8%

The increase in operating profit for 2010 of US\$87.8m, compared to 2009, is a result of higher revenues, lower net operating costs and lower depreciation and amortisation.

Stratos Results

On 12 January 2010, we acquired the business assets of Segovia. As a result of a group reorganisation completed earlier in the year and the acquisition of Segovia, we now include the Stratos and Segovia businesses in a single operating segment.

Revenues

During 2010, revenues from Stratos increased by 11.3%, compared with 2009, primarily as a result of the inclusion of the revenues of Segovia in the Stratos operating segment. The table below sets out the components of Stratos' revenues for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
MSS revenue			
Inmarsat MSS	433.7	427.1	1.5%
Other MSS	123.7	125.9	(1.7%)
Total MSS revenue	557.4	553.0	0.8%
Broadband ^(a)	159.4	91.1	75.0%
Total revenue	716.8	644.1	11.3%

(a) Includes Segovia from 12 January 2010.

Total MSS revenue. Revenues from MSS for 2010 increased by US\$4.4m, or 0.8% compared with 2009. Growth has been driven primarily by increased Swift 64 revenue, leasing revenue, sales of equipment and increased revenues from Inmarsat's broadband services, partially offset by decreases in revenues from Inmarsat's Existing and Evolved services and network services provided to certain distributors.

Inmarsat MSS. Revenues derived from Inmarsat MSS for 2010 increased by US\$6.6m, or 1.5% compared with 2009. The increase is primarily due to increases in the aeronautical, maritime and leasing sectors, partially offset by a decrease in the land mobile sector. Competitive pricing, as a result of the market entry of new Inmarsat distributors, continued to

negatively impact revenues from Inmarsat broadband services. Inmarsat's Existing and Evolved services offered by Stratos have also experienced pricing pressure.

For 2010, Stratos' share of Inmarsat Global's MSS revenues was 40%, broadly in line with 2009.

Other MSS. Other MSS primarily consists of sales of equipment, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Other MSS services, in general, have lower gross margins than Inmarsat services.

Revenues from Other MSS during 2010 decreased by US\$2.2m, or 1.7% compared with 2009. The decrease is primarily due to a reduction in network services provided to other Inmarsat distributors, partially offset by increased sales of equipment.

Broadband. During 2010, revenues from Broadband services increased by US\$68.3m, or 75%, compared with 2009. The increase is primarily due to the inclusion of Segovia revenues during 2010 and increased revenues from our microwave network in the Gulf of Mexico. Partially offsetting the increase was a decrease in VSAT revenue as a result of the expiry of certain contracts, the sale of certain customer contracts in Germany and decreased revenue from VSAT and microwave network equipment sales.

Net operating costs

Net operating costs in 2010 increased by US\$49.7m or 9.1%, compared with 2009 primarily as a result of the inclusion of the operating costs of Segovia in the Stratos operating segment. The table below sets out the components of Stratos' net operating costs and shows the allocation of costs to the Group's cost categories for each of the years indicated:

(US\$ in millions)	2010	2009	Increase/ (decrease)
Cost of goods and services	517.5	479.5	7.9%
Operating costs	75.8	64.1	18.3%
Total operating costs	593.3	543.6	9.1%
Allocated as follows:			
Employee benefit costs	90.0	79.6	13.1%
Network and satellite operations costs ^(a)	479.7	448.0	7.1%
Other operating costs	26.7	18.7	42.8%
Own work capitalised	(3.1)	(2.7)	14.8%
Net operating costs	593.3	543.6	9.1%

(a) Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

Cost of goods and services. Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services, and variable labour costs related to Stratos' repair and service workforce. Cost of goods and services also includes costs such as network infrastructure operating costs, customer support centre costs, telecommunications services purchased from terrestrial providers, rents and salaries that do not vary significantly with changes in volumes of goods and services sold.

Cost of goods and services during 2010 increased by US\$38.0m, compared with 2009. The increase is predominantly due to the addition of Segovia, as well as increased cost of airtime and equipment as a result of the increase in revenues and higher network infrastructure operating costs resulting primarily from higher salary costs and exchange rates. Partially offsetting the increase in cost of goods and services was a decrease in costs relating to the Broadband business, predominantly due to the reduction of costs as a result of lower revenue and ceasing operations in Germany.

Operating costs. Operating costs during 2010 increased by US\$11.7m, compared with 2009. The increase is primarily due to the addition of Segovia, partially offset by a decrease in the operating expenses for the remaining Stratos business, mainly as a result of a decrease in salaries and benefits costs due to reduced incentive plan costs.

Operating profit

(US\$ in millions)	2010	2009	Increase/ (decrease)
Total revenue	716.8	644.1	11.3%
Cost of goods and services	(517.5)	(479.5)	7.9%
Gross margin	199.3	164.6	21.1%
<i>Gross margin %</i>	27.8%	25.6%	
Operating costs	(75.8)	(64.1)	18.3%
EBITDA	123.5	100.5	22.9%
<i>EBITDA margin %</i>	17.2%	15.6%	
Depreciation and amortisation	(65.2)	(51.7)	26.1%
Share of results of associate	1.2	0.9	33.3%
Gain on disposal of assets	–	2.1	(100.0%)
Acquisition-related adjustments	(2.1)	(8.8)	(76.1%)
Operating profit	57.4	43.0	33.5%

Stratos' operating profit for 2010 increased by US\$14.4m, compared with 2009, primarily as a result of the addition of Segovia, partially offset by the US\$2.1m additional deferred consideration in respect of the acquisition of Segovia.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for 2010 increased as a result of the addition of Segovia, partially offset by changes in MSS product mix and declines in the VSAT business. Changes in product mix include the increased sales of equipment, which have a lower gross margin, and a migration by customers to lower margin services such as BGAN and FleetBroadband. In addition, margins have been negatively impacted by competitive pricing as discussed earlier.

Group liquidity and capital resources

At 31 December 2010, the Group had cash and cash equivalents of US\$343.8m and available but undrawn borrowing facilities of US\$300.0m under our Senior Credit Facility. We are operating well within the financial covenant limitations of our Senior Credit Facility and EIB Facility. As a result, we believe our liquidity position is more than sufficient to meet the Group's needs for the next twelve months. In addition, among satellite companies, the Group has historically maintained one of the lowest levels of debt leverage, as measured by the ratio of Net Borrowings to EBITDA. As a result of this prudent approach we remain well-positioned to access the capital markets when needed to meet our financing needs.

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.

On 15 April 2010, we signed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility is available in Euros and US dollars. An initial drawdown of US\$180.0m was made on 30 April 2010 and a final draw down of US\$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin and is payable in January, April, July and October each year. The facility ranks pari passu with our Senior Credit Facility and ahead of our 7.375% Senior Notes due 2017.

On 10 May 2010 and 2 June 2010 we used available liquidity within the Group to pre-pay and cancel the Stratos Senior Credit Facility and redeem the Stratos Senior Unsecured Notes, respectively. On the pre-payment date of the Stratos Senior Credit Facility, the amount outstanding under the facility was US\$207.0m. We redeemed the entire principal amount of US\$150.0m outstanding under Stratos' Senior Unsecured Notes (US\$62.4m, net of US\$87.6m Stratos Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated note redemption premium of US\$3.1m (US\$7.4m less US\$4.3m received by virtue of the Groups investment in the Stratos Senior Unsecured Notes). In addition, as a result of the pre-payment and redemption, we wrote-off US\$1.9m and US\$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Credit Facility and the Stratos Senior Unsecured Notes, respectively.

The Group's net borrowings (gross of deferred finance costs) for the years ended 31 December 2010 and 2009 are presented in the table below:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Senior Credit Facility	200.0	290.0
EIB Facility	308.4	–
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.2)	(4.8)
Convertible Bond	285.2	264.9
– accretion of principal	2.5	2.3
Deferred satellite payments	40.8	47.4
Bank overdrafts	0.3	0.5
Stratos Senior Credit Facility	–	209.2
Stratos Senior Unsecured Notes ^(a)	–	86.8
Total borrowings	1,483.0	1,546.3
Cash and cash equivalents	(343.8)	(226.8)
Net Borrowings (gross of deferred finance costs)	1,139.2	1,319.5

(a) In 2009, net of US\$63.2m Senior Unsecured Notes held by the Group, being 42.1% of the aggregate principal amount outstanding.

The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2010 and 2009:

(US\$ in millions)	2010	2009
Net cash from operating activities	744.3	622.1
Net cash used in investing activities excluding capital expenditure	(114.8)	(11.1)
Capital expenditure, including own work capitalised	(180.7)	(162.6)
Dividends paid	(158.3)	(146.0)
Net cash used in financing activities, excluding dividends paid	(173.2)	(230.3)
Foreign exchange adjustment	(0.1)	(0.4)
Net increase in cash and cash equivalents	117.2	71.7

The increase in net cash generated from operating activities in 2010, compared to 2009, of US\$122.2m primarily relates to US\$121.2m received from LightSquared in 2010 in respect of our Cooperation Agreement and higher EBITDA in 2010 offset by movements in working capital.

The increase in net cash used in investing activities excluding capital expenditure in 2010, compared to 2009, of US\$103.7m primarily relates to the acquisition of Segovia for an initial cash consideration of US\$110.0m (including transaction fees) in 2010. In the prior year we paid US\$11.9m (including transaction fees) for our investment in SkyWave.

Capital expenditure, including own work capitalised, increased by US\$18.1m in 2010, compared to in 2009. The increase relates to milestone payments in respect of our Inmarsat-5 investment in 2010 of US\$59.8m, offset by lower capital expenditure on our handheld network and terminals, Inmarsat-4 satellites and network and our third Satellite Access Station. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Stratos' cash outflow in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software, was US\$26.4m for 2010 (2009: US\$24.0m).

Net cash used in financing activities, excluding the payment of dividends, decreased by US\$57.1m in 2010, compared to 2009. During 2010, the Group repaid US\$90.0m principal of the Senior Credit Facility, drew down US\$308.4m from the EIB Facility, repaid US\$209.2m principal of the Stratos Senior Credit Facility and redeemed US\$65.5m principal of the Stratos Senior Unsecured Notes. In addition, the Group paid cash interest of US\$93.3m, arrangement fees in respect of new borrowing facilities of US\$3.3m and purchased US\$24.4m principal amount of its own debt securities.

During 2009, the Group drew down US\$290.0m on the Senior Credit Facility and pre-paid and cancelled its previous Senior Credit Facility of US\$390.0m. During 2009, the Group received US\$645.2m aggregate gross proceeds from the offering of its Senior Notes due 2017, paid US\$465.6m (US\$450.0m principal amount together with US\$15.6m redemption premium) to redeem 100% of the principal amount of its Senior Discount Notes and paid US\$164.5m (US\$160.4m principal amount together with US\$4.1m redemption premium) to redeem 100% of the principal amount of its Senior Notes due 2012. In addition, the Group paid cash interest of US\$110.5m, arrangement costs in relation to new borrowing facilities of US\$23.8m and purchased US\$8.6m principal amount of its own debt securities.

Group free cash flow

(US\$ in millions)	2010	2009
Cash generated from operations	785.8	645.8
Capital expenditure	(166.7)	(145.3)
Own work capitalised	(14.0)	(17.3)
Net cash interest paid	(92.0)	(109.6)
Cash tax paid	(42.8)	(24.6)
Free cash flow	470.3	349.0

Free cash flow increased by US\$121.3m, or 35%, during 2010, compared to 2009. The increase is due to an increase in EBITDA as a result of higher revenues and lower operating costs and a favourable movement in working capital due mainly to the amounts received from LightSquared in respect of our Cooperation Agreement with them. In addition we experienced reduced cash interest paid, offset in part by increased cash tax paid and capital expenditure, which included milestone payments in respect of our Inmarsat-5 investment.

Group balance sheet

The table below shows the consolidated Group balance sheet at 31 December 2010 and 2009:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Non-current assets	2,525.8	2,429.7
Current assets	632.2	475.9
Total assets	3,158.0	2,905.6
Current liabilities	(467.3)	(364.5)
Non-current liabilities	(1,602.0)	(1,571.1)
Total liabilities	(2,069.3)	(1,935.6)
Net assets	1,088.7	970.0

The increase in the Group's non-current assets of US\$96.1m is due primarily to the recognition of US\$117.0m of non-current assets and US\$27.2m of goodwill following the acquisition of the assets and liabilities of Segovia on 12 January 2010 (see note 9 for details) and additions during 2010. The increase was offset in part by the decrease in derivative financial instruments relating to our foreign exchange rate hedging of US\$5.1m and depreciation and amortisation of capital assets, during 2010.

The increase in current assets of US\$156.3m is due predominantly to the increase in cash and cash equivalents from US\$226.8m at 31 December 2009 to US\$343.8m at 31 December 2010. The increase in cash and cash equivalents is due primarily to cash received in relation to our Cooperation Agreement with LightSquared. In addition, trade and other receivables increased by US\$27.7m to US\$255.2m at 31 December 2010, inventory increased by US\$10.7m to US\$20.2m at 31 December 2010, and we recorded US\$5.6m restricted cash relating to Segovia at 31 December 2010. Partially offsetting the increase was a decrease in derivative financial instruments relating to foreign exchange rate hedging of US\$4.7m to US\$7.4m at 31 December 2010.

The increase in current liabilities of US\$102.8m relates primarily to deferred revenue recognised in relation to our Cooperation Agreement with LightSquared. In addition, current income tax liabilities increased by US\$12.8m to US\$46.8m at 31 December 2010. Partially offsetting the increase in current liabilities was the decrease in short-term borrowings of US\$50.8m to US\$58.6m at 31 December 2010. This decrease in short-term borrowings was due to the repayment of US\$90.0m of the Senior Credit Facility, offset by US\$50.0m of the Senior Credit Facility being transferred from non-current to current in the year.

The increase in non-current liabilities of US\$30.9m relates primarily to the increase in other payables and deferred income tax of US\$30.7m and US\$14.0m, respectively. Partially offsetting the increase is the decrease in provisions of US\$13.3m to US\$42.5m at

31 December 2010, which is due predominantly to Inmarsat Global's pension and post-retirement scheme liabilities following the review of actuarial assumptions for accounting purposes at 31 December 2010.

The decrease in net non-current borrowings of US\$1.2m is due to a number of offsetting transactions during the year. We drew down US\$308.4m under the EIB Facility, repaid the entire outstanding amount of US\$209.2m of the Stratos Senior Credit Facility and redeemed the outstanding Stratos Senior Unsecured Notes of US\$62.4m (US\$150.0m principal amount of the Stratos Senior Unsecured Notes less US\$87.6m principal amount which was held by the Group at the date of redemption). In addition, US\$50.0m relating to the Senior Credit Facility was transferred from non-current to current in the year.

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may adversely affect our business, operations, liquidity, financial position or future performance, not all of which are wholly within our control. Although many of the risks and uncertainties influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

Our principal risks and uncertainties are discussed below, however this summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting the business. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely. They should also be carefully considered in conjunction with the forward-looking statements in this document and the cautionary statement regarding forward-looking statements.

Satellites

Our satellites are subject to significant operational risk while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we have in-orbit insurance on our Inmarsat-4 satellite fleet, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance were sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

Distribution

Although we now own one of our largest distribution partners (Stratos), we continue to rely on other third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Since the acquisition of Stratos and the signing of new distribution agreements and new distribution partners, this risk has been mitigated to some extent.

Spectrum

We rely on radio spectrum to provide our services. This has historically been allocated by the International Telecommunications Union without charge, and usage has to be co-ordinated with other satellite operators in our spectrum band. In the future, we may not be successful in co-ordinating our satellite operations under applicable international regulations and procedures or in obtaining sufficient spectrum or orbital resources necessary for our operations.

Development of hybrid networks, including ATC

The implementation of ATC services by MSS operators in the North America or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. We cannot be certain that the development of hybrid networks, including ATC, in the North America or other countries will not result in harmful interference to our operations. If we are unable to prevent such interference it could have an effect on our operations, revenues, profitability and liquidity.

LightSquared Cooperation Agreement

Our Cooperation Agreement with LightSquared presents us with operational and financial risks. The Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to co-exist in North America with ATC services in adjacent frequencies. Whilst we are confident that we can continue to operate our services over North America with minimal impact to our users following the launch of ATC services, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse effect on our future L-band service performance in North America. In order to mitigate this risk, we have already taken measures as part of the migration programme envisaged under the Cooperation Agreement to offer enhanced services for customers (such as the Inmarsat B to FleetBroadband migration incentive and safety services over SwiftBroadband programme), and we will continue to encourage users to progressively upgrade to much more spectrum-efficient BGAN, SwiftBroadband and FleetBroadband services. The migration of customers off our Existing and Evolved services to our broadband services gives rise to the risk of customers choosing to move to other competitive services, which could have an adverse effect on our revenues and profitability.

In addition, we are subject to the risk that LightSquared may default on their payments under the Cooperation Agreement or that they may elect to terminate the implementation of Phase 2 and return to Phase 1 (which they may do from 28 January 2016), which may have a material adverse effect on our future profitability.

Regulation

Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals. The provision of our mobile satellite communication services in some countries could cause us to incur additional costs, could expose us to fines and could limit our ability to provide services in some countries.

Competition

Although Inmarsat is a market leader in MSS, the global communications industry is highly competitive. We face competition today from a number of communications technologies in the various target sectors for our services. It is likely that we will continue to face increasing competition from other network operators in some or all of our target sectors in the future, particularly from existing mobile satellite network operators. In addition, communications providers who operate private networks using VSAT or hybrid systems also continue to target users of mobile satellite services. Technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors, including maritime and aeronautical sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our land mobile services in those areas.

Next generation services and satellites

Our major new investment project, Global Xpress, which will be deployed over a global network of Ka-band satellites, is currently being developed. The development, which includes the satellites, ground network, terminals and related services, may be subject to delays and/or material cost over-runs. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. Failure or a delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

Financial risks

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, debt market prices, credit risks, liquidity risks and interest rates. The Group has in place a financial risk management

programme that seeks to limit the adverse effects on the financial performance by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

Economic conditions

The global economic environment continues to remain unstable and any further weakening may lead to a fall in demand for our services, particularly in the maritime and aeronautical sectors. However, many of the customers we serve are government and industrial corporations who, because of their own business needs, rely on our communications solutions and services even as economic conditions fluctuate. In addition, our business benefits from diversity of sectors, services offered and customer types on land, sea and air.

Related Party Transactions

There have been no material changes in the related party transactions described on page 95 of the 2009 Inmarsat plc Annual Report and Accounts.

Recent Events

Subsequent to 31 December 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 plc
99 City Road
London EC1Y 1AX

By order of the Board,

Andrew Sukawaty
Chairman and Chief Executive Officer
7 March 2011

Rick Medlock
Chief Financial Officer
7 March 2011

INMARSAT PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

(US\$ in millions)	2010	2009
Revenues	1,171.6	1,038.1
Employee benefit costs	(181.7)	(190.0)
Network and satellite operations costs	(217.1)	(193.4)
Other operating costs	(93.8)	(82.4)
Own work capitalised	17.1	21.9
Total net operating costs	(475.5)	(443.9)
EBITDA	696.1	594.2
Depreciation and amortisation	(234.6)	(231.6)
Gain on disposal of fixed assets	–	2.1
Acquisition-related adjustments	(2.1)	(8.8)
Share of results of associates	1.2	0.9
Operating profit	460.6	356.8
Interest receivable and similar income	1.4	1.7
Interest payable and similar charges	(128.5)	(161.6)
Net interest payable	(127.1)	(159.9)
Profit before income tax	333.5	196.9
Income tax expense	(72.4)	(44.1)
Profit for the year	261.1	152.8
Attributable to:		
Equity holders	260.9	152.7
Non-controlling interest	0.2	0.1
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US\$ per share)		
— Basic	0.57	0.33
— Diluted	0.57	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

(US\$ in millions)	2010	2009
Profit for the year	261.1	152.8
Other comprehensive income		
Actuarial gains/(losses) from pension and post retirement healthcare benefits	9.9	(21.4)
Net (losses)/gains on cash flow hedges	(9.0)	44.0
Tax credited/(charged) directly to equity	2.9	(5.4)
Other comprehensive income for the year, net of tax	3.8	17.2
Total comprehensive income for the year, net of tax	264.9	170.0
Attributable to:		
Equity holders	264.7	169.9
Non-controlling interest	0.2	0.1

INMARSAT PLC
CONSOLIDATED BALANCE SHEET
At 31 December 2010

(US\$ in millions)	2010	2009
Assets		
Non-current assets		
Property, plant and equipment	1,355.7	1,365.2
Intangible assets	1,127.2	1,020.0
Investments	30.8	31.0
Other receivables	5.2	1.5
Derivative financial instruments	6.9	12.0
	2,525.8	2,429.7
Current assets		
Cash and cash equivalents	343.8	226.8
Restricted cash	5.6	–
Trade and other receivables	255.2	227.5
Inventories	20.2	9.5
Derivative financial instruments	7.4	12.1
	632.2	475.9
Total assets	3,158.0	2,905.6
Liabilities		
Current liabilities		
Borrowings	58.6	109.4
Trade and other payables	348.6	206.1
Provisions	0.4	0.9
Current income tax liabilities	46.8	34.0
Derivative financial instruments	12.9	14.1
	467.3	364.5
Non-current liabilities		
Borrowings	1,402.3	1,403.5
Other payables	58.3	27.6
Provisions	42.5	55.8
Deferred income tax liabilities	85.3	71.3
Derivative financial instruments	13.6	12.9
	1,602.0	1,571.1
Total liabilities	2,069.3	1,935.6
Net assets	1,088.7	970.0
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	683.9	679.7
Equity reserve	56.9	56.9
Other reserves	19.1	15.4
Retained earnings	327.8	217.2
Equity attributable to shareholders of the parent	1,088.0	969.5
Non-controlling interest	0.7	0.5
Total equity	1,088.7	970.0

INMARSAT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

(US\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share Option reserve	Cash flow hedge reserve	Revaluation reserve	Other reserves ^(a)	Retained earnings	Non- controlling interest	Total
Balance at 1 January 2009	0.3	679.6	56.9	18.4	(34.1)	0.6	(10.1)	220.6	1.5	933.7
Net fair value gains - cash flow hedges	-	-	-	-	44.0	-	-	-	-	44.0
Issue of share capital	-	0.1	-	-	-	-	-	-	-	0.1
Share options charge	-	-	-	9.1	-	-	-	-	-	9.1
Profit for the period	-	-	-	-	-	-	-	152.7	0.1	152.8
Dividends paid	-	-	-	-	-	-	-	(141.8)	-	(141.8)
Actuarial losses from pension and post-retirement healthcare benefits	-	-	-	-	-	-	-	(21.4)	-	(21.4)
Tax (charged)/credited directly to equity	-	-	-	-	(12.5)	-	-	7.1	-	(5.4)
Additional investment in associates	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	(1.0)	(1.0)
Balance at 31 December 2009	0.3	679.7	56.9	27.5	(2.6)	0.6	(10.1)	217.2	0.5	970.0
Net fair value losses - cash flow hedges	-	-	-	-	(9.0)	-	-	-	-	(9.0)
Issue of share capital	-	4.2	-	-	-	-	-	-	-	4.2
Share options charge/(credit)	-	-	-	10.0	-	-	(1.4)	-	-	8.6
Profit for the period	-	-	-	-	-	-	-	260.9	0.2	261.1
Dividends paid	-	-	-	-	-	-	-	(159.0)	-	(159.0)
Actuarial gains from pension and post-retirement healthcare benefits	-	-	-	-	-	-	-	9.9	-	9.9
Tax credited/(charged) directly to equity	-	-	-	-	4.1	-	-	(1.2)	-	2.9
Balance at 31 December 2010	0.3	683.9	56.9	37.5	(7.5)	0.6	(11.5)	327.8	0.7	1,088.7

(a) The other reserve relates to ordinary shares held by the employee share trust.

INMARSAT PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2010

(US\$ in millions)	2010	2009
Cash flow from operating activities		
Cash generated from operations	785.8	645.8
Interest received	1.3	0.9
Income taxes paid	(42.8)	(24.6)
Net cash from operating activities	744.3	622.1
Cash flow from investing activities		
Purchase of property, plant and equipment	(141.4)	(116.3)
Additions to capitalised development costs, including software	(25.3)	(29.0)
Own work capitalised	(14.0)	(17.3)
Proceeds from disposal of assets	–	4.9
Acquisition of subsidiaries and other investments	(114.8)	(16.0)
Net cash used in investing activities	(295.5)	(173.7)
Cash flow from financing activities		
Dividends paid to shareholders	(158.3)	(146.0)
(Repayment)/drawdown of Senior Credit Facility	(90.0)	290.0
Drawdown of EIB Facility	308.4	–
Repayment of the Stratos Senior Credit Facility	(209.2)	(2.6)
Redemption of the Stratos Senior Unsecured Notes	(65.5)	–
Redemption of Senior Discount Notes	–	(465.6)
Redemption of Senior Notes due 2012	–	(164.5)
Repayment of Previous Senior Credit Facility	–	(390.0)
Gross issuance proceeds of Senior Notes due 2017	–	645.2
Arrangement costs of new borrowing facilities	(3.3)	(23.8)
Purchase of own debt securities, including discount	(24.4)	(8.6)
Interest paid on borrowings	(93.3)	(110.5)
Net proceeds from the issue of ordinary shares	4.2	0.1
Other financing activities	(0.1)	–
Net cash used in financing activities	(331.5)	(376.3)
Foreign exchange adjustment	(0.1)	(0.4)
Net increase in cash and cash equivalents	117.2	71.7
Movement in cash and cash equivalents		
At beginning of year	226.3	154.6
Net increase in cash and cash equivalents	117.2	71.7
As reported on balance sheet (net of bank overdrafts)	343.5	226.3
At end of year, comprising		
Cash at bank and in hand	73.5	105.8
Short-term deposits with original maturity of less than 3 months	270.3	121.0
Bank overdrafts	(0.3)	(0.5)
	343.5	226.3

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

1. General Information

These consolidated financial results were approved for issue by the Board of Directors on 7 March 2011.

The financial information set out in these Preliminary Consolidated Financial Results, which have been extracted from the audited consolidated financial statements for the year ended 31 December 2010 and 31 December 2009, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The statutory financial statements for the year ended 31 December 2009 have been delivered to the Registrar of Companies.

The auditors have reported on the consolidated financial statements for the years ended 31 December 2010 and 2009. The reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Principal accounting policies

Basis of preparation

The consolidated financial results for the year ended 31 December 2010 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These condensed consolidated 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. Except as described below, the condensed consolidated financial statements are based upon accounting policies and methods consistent with those in the Group's 2009 annual consolidated financial statements prepared under IFRS, set out on pages 56 to 97. The consolidated balance sheet as at 31 December 2010 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.

- In the current year the Group adopted IFRS 3 (2008), 'Business Combinations'. Amongst other changes, the amendments require the expensing of acquisition costs in relation to business combinations. Previously the Group capitalised such costs as part of the cost of the investment. In addition, consideration for an acquisition is measured at fair value at the acquisition date and any changes to the consideration resulting from events after the balance sheet date are recognised in the Income Statement.
- In addition, the following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:
 - IFRS 2 (as amended) – Share-based Payment – Amendments relating to group cash-settled share-based payments transactions (effective for financial years beginning on or after 1 January 2010);
 - IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009);
 - Conceptual Framework for Financial Reporting 2010 (effective from date of issue, September 2010);
 - IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009);
 - Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2010).
 - Consequential amendments to other standards arising from amendments to IFRS 3 (2008), 'Business Combinations' (effective for financial years beginning on or after 1 July 2009).

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Company and the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat plc continues to adopt the going concern basis in preparing the consolidated financial statements.

The functional currency of the Company and all of the Group's subsidiaries and the presentation currency is the US dollar, as the majority of operational transactions and borrowings are denominated in US dollars.

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.

3. Segment information

IFRS 8, 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM of Inmarsat plc is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Stratos.

The Group's reportable segments are therefore as follows:

- Inmarsat Global – principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Global Inmarsat business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate and which were previously disclosed in 2009 in an 'other' segment. As a result of this change, the comparative amounts for 2009 have been re-presented;
- Stratos – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users; and
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

Segment information:

	2010				
(US\$ in millions)	Inmarsat MSS	Stratos ^(a)	Unallocated	Eliminations	Total
Revenue					
External sales	461.0	710.6	–	–	1,171.6
Inter-segment	303.1	6.2	–	(309.3)	–
Total revenue	764.1	716.8	–	(309.3)	1,171.6
Segment result (operating profit)	403.4	57.4	–	(0.2)	460.6
Net interest charged to the Income Statement	–	–	(127.1)	–	(127.1)
Profit before income tax					333.5
Income tax expense	–	–	–	–	(72.4)
Profit for the year					261.1
Segment assets	2,329.2	905.7	343.8	(420.7)	3,158.0
Segment liabilities	(367.3)	(162.4)	(1,593.0)	53.4	(2,069.3)
Investment (included in segment assets) ^(b)	23.5	–	–	–	23.5
Capital expenditure ^(c)	(157.6)	(30.6)	–	0.1	(188.1)
Depreciation	(145.6)	(27.5)	–	–	(173.1)
Amortisation of intangible assets	(23.8)	(37.7)	–	–	(61.5)

(a) Includes Segovia from 12 January 2010.

(b) Relates to 19% stake in SkyWave Mobile Communications (“SkyWave”).

(c) Capital expenditure stated using accruals basis.

	2009 (re-presented)				
(US\$ in millions)	Inmarsat MSS	Stratos	Unallocated	Eliminations	Total
Revenue					
External sales	399.0	639.1	–	–	1,038.1
Inter-segment	295.8	5.0	–	(300.8)	–
Total revenue	694.8	644.1	–	(300.8)	1,038.1
Segment result (operating profit)	315.6	43.0	–	(1.8)	356.8
Net interest charged to the Income Statement	–	–	(159.9)	–	(159.9)
Profit before income tax					196.9
Income tax expense	–	–	–	–	(44.1)
Profit for the year					152.8
Segment assets	1,974.0	777.5	226.8	(72.7)	2,905.6
Segment liabilities	(265.8)	(128.7)	(1,615.7)	74.6	(1,935.6)
Investment (included in segment assets) ^(a)	23.5	–	–	–	23.5
Capital expenditure ^(b)	(142.2)	(24.0)	–	0.4	(165.8)
Depreciation	(160.2)	(23.7)	–	–	(183.9)
Amortisation of intangible assets	(19.7)	(28.0)	–	–	(47.7)

(a) Relates to 19% stake in SkyWave.

(b) Capital expenditure stated using accruals basis.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

4. Net interest payable

(US\$ in millions)	2010	2009
Interest on Senior Notes and credit facilities	(62.0)	(25.2)
Interest on Senior Discount Notes	–	(44.1)
Interest on Convertible Bond	(25.5)	(23.7)
Interest on Stratos borrowings	(19.8)	(18.8)
Pension and post-retirement liability finance costs	–	(4.2)
Interest rate swaps	(13.7)	(11.2)
Unwinding of discount on deferred satellite liabilities	(2.8)	(3.0)
Amortisation of debt issue costs	(8.0)	(14.8)
Amortisation of discount on Senior Notes due 2017	(0.6)	–
Redemption premium on Senior Notes and Senior Discount Notes	–	(19.7)
Premium on purchase of Stratos Senior Unsecured Notes	(1.4)	–
Other interest	(1.3)	(1.3)
Interest payable and similar charges	(135.1)	(166.0)
Less: Amounts included in the cost of qualifying assets	6.6	4.4
Total interest payable and similar charges	(128.5)	(161.6)
Bank interest receivable and other interest	1.3	1.6
Net discount on purchase of Stratos' Senior Unsecured Notes	–	0.1
Pension and post-retirement liability finance gains	0.1	–
Total interest receivable and similar income	1.4	1.7
Net interest payable	(127.1)	(159.9)

5. Income tax expense

(US\$ in millions)	2010	2009
Current tax expense:		
Current year	(66.6)	(30.4)
Adjustments in respect of prior periods:		
– Other	10.7	(0.5)
Total current tax expense	(55.9)	(30.9)
Deferred tax expense:		
Origination and reversal of temporary differences:		
– Other temporary differences	(20.1)	(14.7)
Other	3.6	1.5
Total deferred tax expense	(16.5)	(13.2)
Total income tax expense	(72.4)	(44.1)

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

6. Net borrowings

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

(US\$ in millions)	As at 31 December 2010			As at 31 December 2009		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	0.3	–	0.3	0.5	–	0.5
Deferred satellite payments	8.3	–	8.3	9.3	–	9.3
Senior Credit Facility ^(a)	50.0	–	50.0	90.0	–	90.0
Stratos Senior Credit Facility ^(b)	–	–	–	9.6	–	9.6
Total current borrowings	58.6	–	58.6	109.4	–	109.4
Non-current:						
Senior Credit Facility ^(a)	150.0	(6.1)	143.9	200.0	(10.6)	189.4
Senior Notes due 2017 ^(c)	650.0	(10.8)	639.2	650.0	(12.5)	637.5
—Issuance discount	(4.2)	–	(4.2)	(4.8)	–	(4.8)
EIB Facility ^(d)	308.4	(2.6)	305.8	–	–	–
Deferred satellite payments	32.5	–	32.5	38.1	–	38.1
Convertible Bond ^(e)	285.2	(2.6)	282.6	264.9	(3.6)	261.3
—Accretion of principal	2.5	–	2.5	2.3	–	2.3
Stratos Senior Credit Facility ^(b)	–	–	–	199.6	(2.3)	197.3
Stratos Senior Unsecured Notes ^(f)	–	–	–	86.8	(4.4)	82.4
Total non-current borrowings	1,424.4	(22.1)	1,402.3	1,436.9	(33.4)	1,403.5
Total Borrowings	1,483.0	(22.1)	1,460.9	1,546.3	(33.4)	1,512.9
Cash and cash equivalents	(343.8)	–	(343.8)	(226.8)	–	(226.8)
Net Borrowings	1,139.2	(22.1)	1,117.1	1,319.5	(33.4)	1,286.1

(a) On 6 November 2009, we drew down on our US\$500.0m Senior Credit Facility. The facility consists of a US\$200.0m Term Loan and a US\$300.0m Revolving Credit Facility. The Senior Credit Facility will mature in May 2012. Advances under the Senior Credit Facility bear interest equal to 3-month USD LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the ratio of total net debt to EBITDA. During the year we repaid US\$90.0m of the revolving portion of the Senior Credit Facility. In addition, US\$50.0m of the Senior Credit Facility was transferred from non-current to current in the year.

(b) On 10 May 2010 we pre-paid and cancelled the outstanding amount under the Stratos Senior Credit Facility of US\$207.0m and wrote-off unamortised costs in relation to the facility of US\$1.9m.

(c) On 12 November 2009, we issued US\$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ("Senior Notes due 2017"). The aggregate gross proceeds were US\$645.2m, net of US\$4.8m issuance discount and we capitalised US\$12.5m of issuance costs.

(d) On 15 April 2010, we signed an 8-year facility agreement from the European Investment Bank (the "EIB Facility"). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US dollars. An initial drawdown of US\$180.0m was made on 30 April 2010 and a final draw down of US\$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin payable in April, July, October and January each year.

(e) On 16 November 2007, we issued US\$287.7m in principal amount of 1.75% convertible bonds due 2017 (the "Convertible Bond"). The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193 representing approximately 5% of the Company's current issued share capital. The initial conversion price is US\$12.694 and the total number of common shares to be issued if all bonds are converted is 22.7 million shares. The Company will have an option to call the bonds after 7 years at their accreted principal amount under certain circumstances. In addition, the holder of each bond will have the right to require the Issuer to redeem such bond at its accreted principal amount at years 5 and 7.

(f) On 2 June 2010 we redeemed the entire principal amount of US\$150.0m outstanding under the Stratos Senior Unsecured Notes (US\$62.4m, net of US\$87.6m Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated net note redemption premium of US\$3.1m. In addition, we wrote-off US\$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Unsecured Notes.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

7. Dividends

(US\$ in millions)	2010	2009
Second interim dividend for the year ended 31 December 2009 of 20.63 cents (US\$) (2008 final dividend: 18.20 cents (US\$)) per share	94.7	83.4
Interim dividend for the year ended 31 December 2010 of 14.00 cents (US\$) (2009: 12.73 cents (US\$)) per share	64.3	58.4
Total dividend paid in the year	159.0	141.8

The Inmarsat plc Board of Directors intends to recommend a final dividend of 22.69 cents (US\$) per ordinary share in respect of the year ended 31 December 2010 to be paid on 27 May 2011 to ordinary shareholders on the register of members at the close of business on 13 May 2011. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 3 May 2011. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2010. The total dividend paid and proposed for the year ended 31 December 2010 equals 36.69 cents (US\$) per ordinary share, a 10.0% increase over 2009, and amounts to US\$168.8m.

8. Earnings per share

The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 460,148,337 and potentially in issue of 486,982,727, respectively (2009: 459,189,778 and 485,950,293). Diluted earnings per share is calculated by adjusting the profit attributable to equity holders by US\$18.4m (2009: US\$17.1m) for the interest on the Convertible Bonds (net of tax) and by adjusting the weighted average number of ordinary shares outstanding for the dilutive potential ordinary shares in respect of the Convertible Bonds (maximum number of ordinary shares assuming full conversion) and the share options in relation to employee share plans.

At 31 December 2010, there were a total of 460,607,047 (2009: 459,554,882) ordinary shares in issue.

2009 adjusted earnings per share

Adjusted earnings per share reflects the basic and diluted earnings per share for the year ended 31 December 2009 adjusted to exclude the after tax effect of the one-off costs of US\$28.8m in relation to the refinancing of our previous debt facilities, the goodwill adjustment of US\$8.8m and the associated tax credit of US\$8.8m.

The table below sets out the adjusted earnings attributable to equity holders of the Company that was used in the calculation of both the adjusted basic and diluted earnings per share for 2009. The weighted average number of ordinary shares in issue and potentially in issue did not differ from the unadjusted earnings per share calculation.

(US\$ in millions)	2009
Earnings attributable to equity holders of the Company	152.7
One-off costs in relation to the Refinancing, net of tax effect	20.7
Goodwill adjustment	8.8
Tax credit in respect of the goodwill adjustment	(8.8)
Adjusted earnings attributable to equity holders of the company	173.4

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

9. 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 three years following the acquisition. Segovia is a leading provider of secure IP managed solutions and services to United States government agencies and other commercial customers. We have acquired Segovia in order to strengthen our relationships with key government customers across land, maritime and aeronautical environments as well as to bring enhanced services to the government sector generally. The management team that was in place before the acquisition continues to operate Segovia as a separate business.

The acquisition of Segovia has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for 2010 include the financial results of Segovia for the period from 12 January 2010 to 31 December 2010. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2010, the allocation of the purchase consideration was finalised. As a result of this review, the Group recognised identifiable intangible assets of US\$113.7m (refer to table below) and goodwill of US\$27.2m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Segovia's expertise in designing, deploying and operating mixed satellite and terrestrial networks, particularly in the government and military environment, will generate value for the Group through future customer relationships.

During the year ended 31 December 2009, we recognised US\$3.9m of transaction costs directly associated with the acquisition of Segovia as an expense in the Income Statement.

The allocation of the purchase consideration to the net assets and liabilities of Segovia, based on information up to 31 December 2010, is as follows:

(US\$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets ^(a)	–	113.7	113.7
Property, plant and equipment ^(b)	3.3	–	3.3
Total non-current assets	3.3	113.7	117.0
Restricted cash ^(c)	6.0	–	6.0
Trade and other receivables ^(d)	12.9	–	12.9
Inventories	1.5	–	1.5
Total current assets	20.4	–	20.4
Trade and other payables	(2.8)	–	(2.8)
Deferred revenue	(14.9)	–	(14.9)
Total liabilities	(17.7)	–	(17.7)
Identifiable net assets	6.0	113.7	119.7
Allocated purchase consideration:			
Cash consideration			110.0
Contingent consideration ^(e)			36.9
Total allocated purchase consideration			146.9
Goodwill recognised^(f)			27.2

(a) The increase in intangible assets consists of US\$108.9m of customer relationships and US\$4.8m in relation to the Segovia trade name, which are to be amortised over their useful lives of fourteen and ten years respectively.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

- (b) Includes US\$0.3m software which has subsequently been reclassified from property, plant and equipment to intangible assets.
- (c) Restricted cash relates to cash received from customers for the advance payment of services.
- (d) The book value of trade receivables of US\$11.1m, included within trade and other receivables approximates to their fair value and the entire balance is deemed collectable.
- (e) The contingent consideration arrangement requires Inmarsat to pay the former owners of Segovia an amount in respect of each of the calendar years ending 31 December 2010, 2011 and 2012 (the "Earn-Out Payments"), subject to Segovia achieving certain specified EBITDA and Capital Expenditure targets. The potential undiscounted amount of all future Earn-Out Payments that Inmarsat could be required to make under the contingent consideration arrangement is between US\$nil and US\$139.0m. The fair value of the contingent consideration arrangement of US\$36.9m is based on the probability-adjusted Earn-Out Payments and the application of a discount rate of 14.0%.
- (f) The total goodwill recognised of US\$27.2m is deductible for tax purposes over a fifteen year period.

The contingent consideration element relating to 2010 is estimated at US\$13.0m. We accounted for US\$10.9m of the contingent consideration as part of the initial purchase accounting, with the additional US\$2.1m being recorded directly in the Income Statement in 2010. This additional contingent consideration arose due to better than expected performance in 2010 and has been recorded directly in the income statement in line with IFRS 3 (2008).

The revenue included in the Income Statement for 2010, contributed by Segovia since the acquisition date, was US\$84.3m. Segovia also contributed a profit after tax of US\$10.3m during 2010. Given the close proximity of the acquisition date to the beginning of the year, Segovia's contribution to revenue and profit after tax, assuming the transaction had occurred on 1 January 2010, would not be materially different from its actual contribution from the date of acquisition.

10. Events after the balance sheet date

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