



## Press Release

### **Inmarsat plc Reports Interim Results 2010**

London, UK: 6 August 2010. Inmarsat plc (LSE: ISAT), the leading provider of global mobile satellite communications services, today reported consolidated financial results for the 6 months ended 30 June 2010.

#### **Inmarsat plc Interim Results Highlights**

- Total revenue \$570.7m up 12.2% (2009: \$508.7m)
- Inmarsat Global MSS revenue \$362.9m up 9.4% (2009: \$331.6m)
- EBITDA \$334.4m up 15.4% (2009: \$289.9m)
- Profit before tax \$151.8m up 56% (2009: \$97.0m)
- Interim dividend of 14.00 cents (US\$) up 10%
- Inmarsat-5: new satellite investment announced today
- Global handheld satellite phone launched on schedule in June
- New 5-year Inmarsat MSS revenue growth target provided

#### **Inmarsat Group Limited Second Quarter Highlights**

- Total revenue \$289.2m up 12.6% (2009: \$256.9m)
- EBITDA \$168.6m up 13.8% (2009: \$148.2m)
- Stratos refinancing and reorganisation completed

Andrew Sukawaty, Inmarsat's Chairman and Chief Executive Officer, said, "Our first half performance continues to show the profitable growth in the markets we serve and we are well-positioned to deliver our growth objectives for the year. In June, we successfully launched our global handheld satellite phone as planned. The announcement today of our investment in the new Inmarsat-5 constellation positions us to expand our leadership in the global MSS industry. Both of these developments demonstrate our strategy of investing for growth in the markets we serve best."

Rick Medlock, Chief Financial Officer, added. "The continued growth in both our cash flow and profitability strongly support the 10% increase in dividend announced today. Taking into account our new capital investment plans and the anticipated performance of our existing business, we are confident that our dividend growth can be sustained at the current rate for the next three years."

## Inmarsat plc Revenue

(US\$ in millions)	Six months ended		Increase %
	2010	2009	
Inmarsat Global	367.8	336.6	9.3%
Stratos	355.8	317.2	12.2%
	723.6	653.8	10.7%
Intercompany eliminations and adjustments	(152.9)	(145.1)	
<b>Total revenue</b>	<b>570.7</b>	<b>508.7</b>	<b>12.2%</b>

## Inmarsat Global

Revenue (US\$ in millions)	Six months ended		Increase/ (decrease) %
	2010	2009	
Maritime sector			
Voice services	48.9	53.1	(7.9%)
Data services	128.8	123.6	4.2%
Total maritime sector	<b>177.7</b>	<b>176.7</b>	<b>0.6%</b>
Land mobile sector			
Voice services	4.0	4.7	(14.9%)
Data services	75.8	65.3	16.1%
Total land mobile sector	<b>79.8</b>	<b>70.0</b>	<b>14.0%</b>
Aeronautical sector	49.6	35.5	39.7%
Leasing	55.8	49.4	13.0%
Total mobile satellite communications services	<b>362.9</b>	<b>331.6</b>	<b>9.4%</b>
Other income	4.9	5.0	(2.0%)
<b>Total revenue</b>	<b>367.8</b>	<b>336.6</b>	<b>9.3%</b>

During the first half our maritime revenue growth was impacted by the challenging economic climate in shipping. However, new additions of Fleet and FleetBroadband terminals have remained strong throughout the period and provide a positive forward indicator of demand for our maritime services. In addition, during the second quarter, we saw some improving trends in our maritime data business and we remain optimistic for improved maritime performance in the second half of the year.

Our land mobile sector revenue growth was driven by demand for our BGAN service and was boosted by additional BGAN demand in response to the earthquake events in Haiti and Chile in the first quarter. During the second quarter, we experienced a slowdown in BGAN demand in connection with lower usage levels in Afghanistan. Usage of our BGAN service in Iraq and Afghanistan has historically been volatile and resulted in fluctuations in revenue growth from time to time.

Strong aeronautical revenue growth was driven by particularly high levels of usage of our Swift 64 service. New additions of SwiftBroadband terminals

remained strong throughout the first half and now far outstrip new additions of Swift 64 terminals, demonstrating market acceptance of this important service. Our leasing business growth was driven by new leasing business across our business sectors.

## Stratos

Revenue (US\$ in millions)	Six months ended 30 June		Increase %
	2010	2009	
MSS revenue			
Inmarsat MSS	215.1	208.0	3.4%
Other MSS	64.0	62.3	2.7%
<b>Total MSS revenue</b>	<b>279.1</b>	<b>270.3</b>	<b>3.3%</b>
Broadband (including Segovia)	76.7	46.9	63.5%
<b>Total revenue</b>	<b>355.8</b>	<b>317.2</b>	<b>12.2%</b>

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

As a result of our business performance in the first half and the successful launch of our handheld global satellite phone service, we remain on track to deliver solid revenue growth in 2010. We are also announcing a target average annual revenue growth rate for our Inmarsat Global MSS revenues of 5-7% for the period 2010 – 2014 (using the revenue for 2009 as the base year).

Following the separate announcement today of our Inmarsat-5 investment programme, we are revising our capital expenditure guidance to \$240 - 250m for 2010. This includes capital expenditure for our existing operations, which remains unchanged at \$160 - 170m.

Taking into account our new capital investment plans and the anticipated performance of our existing business, we are confident that our rate of dividend growth can be sustained at 10% for the next three years (2010-2012).

## Liquidity

At 30 June 2010, the Inmarsat plc group had net borrowings of \$1,346.1m, made up of cash and cash equivalents of \$141.8m and total borrowings of \$1,487.9m. Taking into consideration our cash on hand and available but undrawn borrowing facilities of \$272.9m, the group had total available liquidity at 30 June 2010 of \$414.7m. During the first half, we used available liquidity to repay and cancel our Stratos Senior Credit Facility of \$207.0m and to fully redeem our Stratos Senior Unsecured Notes of \$62.4m. In connection with these debt repayments we recorded non-recurring interest items of \$8.9m during the first half.

## **Our Financial Reports**

In addition to the interim results reported for Inmarsat plc, Inmarsat Group Limited, our wholly-owned subsidiary, today also reported unaudited consolidated financial results for the 3 months ended 30 June 2010. Following the completion of a reorganisation plan during the second quarter, the companies comprising our Stratos business became indirect wholly-owned subsidiaries of Inmarsat Group Limited. In line with accounting principles, we have re-presented the 2009 year and presented the 2010 year for Inmarsat Group Limited to reflect the operational results of Stratos as if Stratos had been owned for the entire period. A copy of the full financial report for Inmarsat Group Limited can be accessed via the investor relations section of our website.

## **Other Information**

Inmarsat management will host a presentation of the interim results and other financial and business information on Friday, 6 August at 9:30 a.m. London time. The presentation will take place at our offices at 99 City Road, London EC1Y 1AX. The meeting and presentation will also be available via a live webcast and available for replay after the event, to access the webcast please go to [www.inmarsat.com/webcast](http://www.inmarsat.com/webcast).

## **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**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS**

**For the half year ended 30 June 2010  
(unaudited)**

## **Forward-Looking Statements**

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

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

*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-GAAP Measures**

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

#### Net Borrowings

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

#### Free cash flow

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

*FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to 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 the goodwill adjustment. 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 Directors confirm to the best of their knowledge that:

- (a) the condensed set of unaudited financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting';
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule ("DTR") 4.2.7R, being an indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R, being the disclosure of related parties' transactions and changes therein.

The Directors of Inmarsat plc are listed on our website at [www.inmarsat.com](http://www.inmarsat.com).

By order of the Board,

Andrew Sukawaty  
Chairman and Chief Executive Officer  
6 August 2010

Rick Medlock  
Chief Financial Officer  
6 August 2010

## **Interim Management Report**

*The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat plc ("the Company" or together with its subsidiaries, "the Group") for the half year ended 30 June 2010. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.*

### **Overview**

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Inmarsat 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 videoconferencing. 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. To provide certain Inmarsat services, Stratos operates a terrestrial-based network, including land earth stations, or LES, located in Australia, Canada, the Netherlands and New Zealand.

The Group's revenues for the half year ended 30 June 2010 were US\$570.7m (2009: US\$508.7m), EBITDA was US\$334.4m (2009: US\$289.9m) and operating profit was US\$220.1m (2009: US\$165.2m).

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

### **Acquisition of Segovia**

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

We have accounted for the acquisition of Segovia using the purchase method of accounting in accordance with IFRS 3 (as revised), 'Business Combinations'. The consolidated results of the Group for the half year ended 30 June 2010 include the financial results of Segovia for the period 12 January 2010 to 30 June 2010.

Segovia is a leading provider of secure IP managed solutions and services to United States government agencies. 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.

### **European Investment Bank Financing**

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On 19 April 2010, Inmarsat plc announced the signing of 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 may borrow up to €225m at any time before 23 December 2010. The facility is available in Euros and US dollars. An initial draw down of US\$180.0m was made on 30 April 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 borrower is Inmarsat Investments Limited, a subsidiary of Inmarsat plc and the facility ranks as a senior

secured creditor pari passu with our Senior Credit Facility and ahead of our 7.375% Senior Notes due 2017.

### ***Global Satellite Phone Service***

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The first product forming part of our Global Satellite Phone Service (“GSPS”), the ISATPhone Pro, entered commercial service on 30 June 2010. The IsatPhone Pro is the first handheld satellite phone to be purpose-built for the Inmarsat network and is available on a global basis over the three Inmarsat-4 satellites, which have an expected operational lifetime into the 2020s. The IsatPhone Pro is targeted primarily at professional users in the government, media, aid, oil and gas, mining and construction sectors. It offers satellite telephony, with Bluetooth for hands-free use, voicemail, SMS and email messaging. In addition, GPS location data is available to the user to look up or send in a SMS message. ISATPhone Pro is being offered by 13 distribution partners, providing worldwide customer access. Although the suggested retail price for the IsatPhone Pro handset is US\$699, various pricing promotions have resulted in end-user prices of US\$500-600. Retail airtime rates are competitively priced at around US\$1 per minute. The IsatPhone Pro features reliable global coverage, long battery life, a robust handset, clear voice quality and ease of use.

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

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On 30 April 2010, we announced the introduction of a new class of our SwiftBroadband service. SwiftBroadband 200 (“SB200”) is designed to extend the benefits of Inmarsat services to smaller aircraft and provide a lower cost option for IP communications for aircraft operators. The SB200 service will be available in the footprint of all the Inmarsat-4 satellites and will provide standard IP data up to 200kbps, circuit-switched voice telephony and streaming IP data up to 16kbps. SB200 is expected to be commercially available at the end of 2010.

### ***Emergency relief in Haiti and Chile***

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Inmarsat's services were used to support emergency relief efforts in Haiti and Chile following the earthquakes earlier in the year. With cellular and terrestrial telecoms network damaged, satellite communications provided essential communications to, and within, the 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 the earthquakes.

Inmarsat-sponsored Télécoms Sans Frontières (“TSF”), the telecommunications relief aid organisation, dispatched a team to Haiti and Chile equipped with Inmarsat mobile voice and broadband terminals. In Haiti, Inmarsat supported the humanitarian efforts of the International Telecommunications Union (“ITU”), US Coast Guard and TSF to provide essential communications services to various US and international aid organisations. TSF also offered the opportunity for those caught up in the event to use Inmarsat's services to call family and friends.

### ***Group Reorganisation and Stratos Refinancing***

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On 30 June 2010 we completed a reorganisation plan under which the ownership of Stratos and its subsidiaries was transferred within the Inmarsat group (the “Group Reorganisation”). As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Ventures Limited and is subject to the terms of Inmarsat's outstanding debt, including the 7.375% Senior Notes due 2017. The Group Reorganisation does not impact the consolidated results of the Group as Inmarsat plc remains the ultimate parent company of the Group.

Immediately prior to the Group Reorganisation, Stratos repaid all of its 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 Stratos’ debt was funded using available liquidity from within the Group.

### ***Dividends***

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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 (dividend paid US\$94.7m). No final dividend for the year ended 31 December 2009 was declared or paid.

The Board intends to declare and pay an interim dividend for the 2010 financial year of 14.00 cents (US\$) per ordinary share on 29 October 2010 to ordinary shareholders on the Register at the close of business on 1 October 2010. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. This dividend has not been recognised as a liability for the half year ended 30 June 2010.

## Total Group Results

The results reported reflect the consolidated results of operations and financial condition of Inmarsat plc for the half year ended 30 June 2010. Where we refer to Inmarsat Global we include Inmarsat plc and all of its subsidiaries excluding Stratos and Segovia and all their associated subsidiaries. Where we refer to Stratos, we combine the results of Stratos and Segovia and all their associated subsidiaries. The table below sets out the results of the Group for the periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
<b>Revenue</b>	<b>570.7</b>	<b>508.7</b>	<b>12.2%</b>
Employee benefit costs	(92.0)	(94.3)	(2.4%)
Network and satellite operations costs	(109.4)	(96.4)	13.5%
Other operating costs	(43.1)	(39.2)	9.9%
Work performed by the Group and capitalised	8.2	11.1	(26.1%)
<b>Total net operating costs</b>	<b>(236.3)</b>	<b>(218.8)</b>	<b>8.0%</b>
<b>EBITDA</b>	<b>334.4</b>	<b>289.9</b>	<b>15.4%</b>
Depreciation and amortisation	(114.9)	(116.5)	(1.4%)
Share of results of associates	0.6	0.4	50.0%
Gain on disposal of assets	–	1.5	(100.0%)
Goodwill adjustment	–	(10.1)	(100.0%)
<b>Operating profit</b>	<b>220.1</b>	<b>165.2</b>	<b>33.2%</b>
Interest receivable and similar income	3.8	0.8	375.0%
Interest payable and similar charges	(72.1)	(69.0)	4.5%
Net interest payable	(68.3)	(68.2)	0.1%
<b>Profit before income tax</b>	<b>151.8</b>	<b>97.0</b>	<b>56.5%</b>
Income tax expense	(44.8)	(23.1)	93.9%
<b>Profit for the period</b>	<b>107.0</b>	<b>73.9</b>	<b>44.8%</b>

### Revenues

Total Group revenues for the half year ended 30 June 2010 increased by 12.2%, compared with the half year ended 30 June 2009. The table below sets out the components, by segment, of the Group's total revenue for each of the periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase
Inmarsat Global	367.8	336.6	9.3%
Stratos	355.8	317.2	12.2%
	723.6	653.8	10.7%
Intercompany eliminations and adjustments	(152.9)	(145.1)	
<b>Total revenue</b>	<b>570.7</b>	<b>508.7</b>	<b>12.2%</b>

### Net operating costs

Total Group net operating costs for the half year ended 30 June 2010 increased by 8.0%, compared with the half year ended 30 June 2009. The table below sets out the components, by segment, of the Group's net operating costs for each of the periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
Inmarsat Global	89.8	92.7	(3.1%)
Stratos	300.3	269.0	11.6%
	390.1	361.7	7.9%
Intercompany eliminations and adjustments	(153.8)	(142.9)	
<b>Total net operating costs</b>	<b>236.3</b>	<b>218.8</b>	<b>8.0%</b>

## **EBITDA**

Group EBITDA for the half year ended 30 June 2010 increased by 15.4%, compared with the half year ended 30 June 2009 primarily as a result of the inclusion of the results of Segovia from 12 January 2010 and increased revenues. EBITDA margin has increased to 58.6% for the half year ended 30 June 2010 compared with 57.0% for the half year ended 30 June 2009 as a result of increased underlying revenues and decreased underlying operating costs.

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

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
<b>Profit for the period</b>	107.0	73.9	44.8%
Add back:			
Income tax expense	44.8	23.1	93.9%
Net interest payable	68.3	68.2	0.1%
Depreciation and amortisation	114.9	116.5	(1.4%)
Share of results of associates	(0.6)	(0.4)	50.0%
Gain on disposal of fixed assets	–	(1.5)	(100.0%)
Goodwill adjustment	–	10.1	(100.0%)
<b>EBITDA</b>	<b>334.4</b>	<b>289.9</b>	<b>15.4%</b>
<b>EBITDA margin %</b>	<b>58.6%</b>	<b>57.0%</b>	

### **Depreciation and amortisation**

The decrease in depreciation and amortisation of US\$1.6m is predominantly due to a reduction in depreciation due to one of the Inmarsat-3 satellites becoming fully depreciated, partially offset by additional depreciation due to the inclusion of the results of Segovia from 12 January 2010.

### **Gain on disposal of assets**

No gain on disposal of assets was recognised during the half year ended 30 June 2010. The gain on disposal of assets recognised during the half year ended 30 June 2009 of US\$1.5m arose from the transfer of certain of Stratos' internally generated intangible assets to an associate, an insurance settlement in relation to Stratos' Broadband equipment which suffered hurricane damage in the Gulf of Mexico in 2008 and the sale of certain Stratos Broadband customer contracts and related assets in Hameln, Germany, in 2009.

### **Share of results of associates**

During the half year ended 30 June 2010, we recorded US\$0.6m share of results of associates, compared to US\$0.4m in the half year ended 30 June 2009. The share of results of associates arose from equity accounted investments held by Stratos.

### **Goodwill adjustment**

No adjustment to goodwill was recorded during the half year ended 30 June 2010. During the half year ended 30 June 2009, we recorded a US\$10.1m 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. Although these unutilised capital allowances were acquired as part of the acquisition of Stratos, in line with IFRS 3 'Business Combinations (2004)' (which was applicable to this transaction), they were not recognised as an identifiable asset in determining goodwill that resulted from that acquisition. We now believe that the Group will be able to utilise these capital allowances in offsetting future taxable profits of the Group's UK entities and have therefore accounted for the benefit as an adjustment to goodwill in line with IAS 12, 'Income Taxes'.

### **Operating profit**

As a result of the factors discussed above, operating profit during the half year ended 30 June 2010 was US\$220.1m, an increase of US\$54.9m, or 33.2%, compared with the half year ended 30 June 2009.

**Interest**

Net interest payable for the half year ended 30 June 2010 was US\$68.3m, broadly in line with the half year ended 30 June 2009.

Interest payable for the half year ended 30 June 2010 was US\$72.1m, an increase of US\$3.1m, or 4.5%, compared with the half year ended 30 June 2009. The increase occurred because of non-recurring items of US\$8.9m arising in connection with the Stratos Refinancing. These consist of the write-off of unamortised issue costs of US\$1.9m and US\$3.9m in relation to the repayment of the Stratos Senior Credit Facility and the redemption of the Stratos Senior Unsecured Notes, respectively, as well as the recognition of the net redemption premium of US\$3.1m in respect of the Stratos Senior Unsecured Notes. Adjusting for these non-recurring items, the underlying interest payable for the half year ended 30 June 2010 would have been US\$63.2m, a decrease of US\$5.8m, or 8.4%, compared to the half year ended 30 June 2009.

In addition to the non-recurring items described above, interest during the half year ended 30 June 2010, increased due to additional interest payable on interest rate swap contracts of US\$1.7m and increased amortisation of debt issue costs of US\$1.4m following the capitalisation of costs relating to refinancing activity in 2009.

Interest payable reflects a credit in relation to the capitalisation of borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use, of US\$3.0m in the half year ended 30 June 2010, compared to US\$1.6m in the half year ended 30 June 2009. Furthermore, in the half year ended 30 June 2009, we recognised an unrealised foreign exchange loss of US\$4.5m on pension and post-retirement scheme liabilities, compared to a gain, as discussed below, for the half year ended 30 June 2010.

Interest receivable for the half year ended 30 June 2010 was US\$3.8m, an increase of US\$3.0m, or 375%, compared with the half year ended 30 June 2009. The increase is primarily due to an unrealised foreign exchange gain on pension and post-retirement scheme liabilities of US\$3.4m, due to the movement of the US dollar exchange rate during the half year ended 30 June 2010.

**Profit before tax**

For the half year ended 30 June 2010, profit before tax was US\$151.8m, an increase of US\$54.8m, or 56% compared with the half year ended 30 June 2009. The increase is due primarily to increased underlying Group revenues and decreased underlying Group operating costs, as well as the inclusion of Segovia's results from 12 January 2010. However, the increase in profit before tax has been negatively impacted by the non-recurring items relating to the Stratos Refinancing. Excluding these non-recurring items, profit before tax for the half year ended 30 June 2010 would have increased by 66% compared to the same period in 2009.

**Income tax expense**

The tax charge for the half year ended 30 June 2010 was US\$44.8m, an increase of US\$21.7m, or 94%, compared with the half year ended 30 June 2009. The increase in the tax charge is largely driven by the underlying increase in profits for the half year ended 30 June 2010 and the inclusion of the results of Segovia from 12 January 2010.

The effective tax rate increased from 23.8% for the half year ended 30 June 2009 to 29.5% for the half year ended 30 June 2010. The increase in the effective tax rate is primarily due to a one-off tax credit of US\$10.1m recognised during the half year ended 30 June 2009. This arose from the recognition of a deferred tax asset relating to unutilised capital allowances in Stratos' UK entities. After adjusting for this one-off tax credit, the effective tax rate for the half year ended 30 June 2009 would have been 31.0%.

**Profit for the period**

As a result of the factors discussed above, profit for the half year ended 30 June 2010 was US\$107.0m, an increase of US\$33.1m, or 45%, compared with the half year ended 30 June 2009.

### **Earnings per share**

For the half year ended 30 June 2010, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 23 cents (US\$) and 24 cents (US\$), respectively, compared with 16 cents (US\$) and 17 cents (US\$), respectively for the half year ended 30 June 2009.

## **Inmarsat Global Results**

### **Revenues**

During the half year ended 30 June 2010, revenues from Inmarsat Global were US\$367.8m, an increase of US\$31.2m, or 9.3%, compared with the half year ended 30 June 2009. Growth has been driven by services such as BGAN, Swift 64, Fleet 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 periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
<b>Revenues</b>			
<b>Maritime sector:</b>			
Voice services	48.9	53.1	(7.9%)
Data services	128.8	123.6	4.2%
<b>Total maritime sector</b>	<b>177.7</b>	<b>176.7</b>	<b>0.6%</b>
<b>Land mobile sector:</b>			
Voice services	4.0	4.7	(14.9%)
Data services	75.8	65.3	16.1%
<b>Total land mobile sector</b>	<b>79.8</b>	<b>70.0</b>	<b>14.0%</b>
Aeronautical sector	49.6	35.5	39.7%
Leasing	55.8	49.4	13.0%
<b>Total MSS revenue</b>	<b>362.9</b>	<b>331.6</b>	<b>9.4%</b>
Other income	4.9	5.0	(2.0%)
<b>Total revenue</b>	<b>367.8</b>	<b>336.6</b>	<b>9.3%</b>

Total active terminal numbers as at 30 June 2010 increased by 6.1%, compared with 30 June 2009. The table below sets out the active terminals by sector:

(000's)	As at 30 June		Increase
	2010	2009	
Active terminals <sup>(1)</sup>			
Maritime	176.7	166.7	6.0%
Land mobile	79.8	75.5	5.7%
Aeronautical	11.7	10.5	11.4%
<b>Total active terminals</b>	<b>268.2</b>	<b>252.7</b>	<b>6.1%</b>

- (1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 30 June. Active terminals also include the average number of certain SPS terminals (which we have previously referred to as ACeS handheld terminals) active on a daily basis during the period. Active terminals exclude our terminals (Inmarsat D+ and IsatM2M) used to access our Satellite Low Data Rate ("SLDR") or telemetry services. At 30 June 2010, we had 209,000 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 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 the half year ended 30 June 2010, volume discounts were US\$21.1m, a decrease of US\$8.5m, or 29%, compared with the half year ended 30 June 2009. The decrease reflects the changes to the VDS resulting from the revised terms of the new distribution agreements – namely the reduced number of services eligible for volume discounts. Although we removed our BGAN services from the VDS, we have implemented certain price reductions for BGAN services, resulting in a neutral position for wholesale BGAN prices.

**Maritime Sector.** During the half year ended 30 June 2010, revenues from the maritime sector were US\$177.7m, an increase of US\$1.0m, or 0.6%, compared with the half year ended 30 June 2009.

Revenues from data services in the maritime sector during the half year ended 30 June 2010 were US\$128.8m, an increase of US\$5.2m, or 4.2%, compared with the half year ended 30 June 2009. The increase in revenues from data services reflects greater demand, primarily as a result of the continued take-up and usage of our Fleet and FleetBroadband services, plus pricing changes. We believe the challenging economic environment for the shipping industry has constrained our maritime data revenue growth in the first half with lower levels of usage seen generally across a broad range of services. Revenue from our Inmarsat B service decreased due to the natural run-off of this mature service, which will be retired on 31 December 2014. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with new equipment and new ships being fitted with Fleet and FleetBroadband terminals. In addition, there was a decrease in revenues from our Mini M service, where there is an expected long-term decline in demand for fax and low-speed data.

Revenues from voice services in the maritime sector during the half year ended 30 June 2010 were US\$48.9m, a decrease of US\$4.2m, or 7.9%, compared with the half year ended 30 June 2009. Growth in demand for voice services among users of our Fleet and FleetBroadband services was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services. 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, some increased competition and the cannibalisation of voice usage to email and other data applications. Revenues are also negatively impacted by product mix changes as users transition from our older services to our newer broadband services where the price of voice services is lower.

**Land Mobile Sector.** During the half year ended 30 June 2010, revenues from the land mobile sector were US\$79.8m, an increase of US\$9.8m, or 14.0%, compared with the half year ended 30 June 2009. 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 the half year ended 30 June 2010.

Revenues from data services in the land mobile sector during the half year ended 30 June 2010 were US\$75.8m, an increase of US\$10.5m, or 16.1%, compared with the half year ended 30 June 2009. Continued growth in BGAN revenue and a pricing impact following the change to the new distribution agreements on 1 May 2009 was partially offset by the decline in GAN high-speed data traffic following reduced traffic levels in the Middle East as a result of troop withdrawals from Iraq. In addition, during the second quarter, we experienced a slowdown in BGAN traffic in connection with lower usage levels in Afghanistan. Usage of our BGAN service in Iraq and Afghanistan has historically been volatile and has affected our results from time to time.

Revenues from BGAN services for the half year ended 30 June 2010 were US\$60.9m, an increase of US\$16.7m, or 38%, compared with the half year ended 30 June 2009. These figures include voice, data and subscription revenues. As at 30 June 2010, active

BGAN subscribers were 43,697 compared with 31,896 as at 30 June 2009, an increase of 11,801 or 37% period on period. BGAN subscribers include 5,800 low usage subscribers activated at the end of March 2010 for the May 2010 election in the Philippines.

Revenues from voice services in the land mobile sector during the half year ended 30 June 2010 were US\$4.0m, a decrease of US\$0.7m, or 14.9%, compared with the half year ended 30 June 2009. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from other MSS operators, although we are seeing growth in our BGAN voice service which now accounts for over 50% of voice revenues.

**Aeronautical Sector.** During the half year ended 30 June 2010, revenues from the aeronautical sector were US\$49.6m, an increase of US\$14.1m, or 40%, compared with the half year ended 30 June 2009. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 9.7% increase in active terminals compared with 30 June 2009. Our Swift 64 service targets the government aircraft and business jet markets as well as being used by commercial airlines. In addition, revenues for low-speed data services benefited from increased industry demand.

**Leasing.** During the half year ended 30 June 2010, revenues from leasing were US\$55.8m, an increase of US\$6.4m, or 13.0%, compared with the half year ended 30 June 2009. The increase is a result of additional government contracts for land-based services, the expansion of Swift 64 leases for certain aeronautical customers and the growth in a voice lease contract in China.

**Other income.** Other income for the half year ended 30 June 2010 was US\$4.9m, a decrease of US\$0.1m, or 2.0%, compared with the half year ended 30 June 2009.

#### **Net operating costs**

Net operating costs during the half year ended 30 June 2010 decreased by US\$2.9m, compared with the half year ended 30 June 2009. The table below sets out the components of Inmarsat Global's net operating costs for each of the periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
Employee benefit costs	45.9	52.7	(12.9%)
Network and satellite operations costs	21.1	19.6	7.7%
Other operating costs	29.7	30.2	(1.7%)
Work performed by the Group and capitalised	(6.9)	(9.8)	(29.6%)
<b>Net operating costs</b>	<b>89.8</b>	<b>92.7</b>	<b>(3.1%)</b>

**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 half year ended 30 June 2010 has resulted in a decrease in comparative costs of approximately US\$12.2m. We have completed hedging arrangements for our anticipated sterling costs in both 2011 and 2012. As a result, we now expect our hedged rate of exchange for 2011 to be US\$1.52/£1.00 and for 2012 to be US\$1.48/£1.00.

**Employee benefit costs.** The US\$6.8m decrease in employee benefit costs is primarily attributed to the favourable movement in Inmarsat Global's hedged rate of exchange. Partially offsetting this decrease were additional staff costs due to an increase in total full-time equivalent headcount (499 at 30 June 2010 compared to 482 at 30 June 2009), mid-year salary cost increases in 2009 and higher stock compensation costs due to new share awards.

**Network and satellite operations costs.** The increase in network and satellite operations costs of US\$1.5m is predominantly due to in-orbit insurance relating to our third Inmarsat-4 satellite which was insured under the launch contract until August 2009.

**Other operating costs.** The decrease in other operating costs of US\$0.5m relates predominantly to the movement in the Group's hedged rate of exchange, lower direct cost of sales due to fewer SPS terminal sales and an adjustment to the carrying value of Inmarsat Global's SPS fleet phone inventory in the half year ended 30 June 2009. These decreases were partially offset by increased marketing spend and higher interconnect costs due to the increase in BGAN and SPS traffic. In addition, we recognised a foreign exchange gain of US\$1.1m in the half year ended 30 June 2010 compared with a gain of US\$1.8m recognised in the half year ended 30 June 2009.

**Work performed by the Group and capitalised.** The decrease in own work capitalised of US\$2.9m is a result of the movement in the Group's hedged rate of exchange and the fact that the half year ended 30 June 2009 included the capitalisation of costs relating to the in-orbit testing of the third Inmarsat-4 satellite. Own work capitalised relates to the development of the GSPS network and terminals and the Alphasat satellite project.

### Operating profit

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
Total revenue	367.8	336.6	9.3%
Net operating costs	(89.8)	(92.7)	(3.1%)
<b>EBITDA</b>	<b>278.0</b>	<b>243.9</b>	<b>14.0%</b>
EBITDA margin %	75.6%	72.5%	
Depreciation and amortisation	(83.1)	(91.0)	(8.7%)
<b>Operating profit</b>	<b>194.9</b>	<b>152.9</b>	<b>27.5%</b>

The increase in operating profit of US\$42.0m 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. We include the Stratos and Segovia businesses in a single operating segment.

#### Revenues

The US\$38.6m increase in revenues from Stratos was 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 periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase
<b>MSS revenues</b>			
Inmarsat MSS	215.1	208.0	3.4%
Other MSS	64.0	62.3	2.7%
<b>Total MSS revenue</b>	<b>279.1</b>	<b>270.3</b>	<b>3.3%</b>
Broadband <sup>(1)</sup>	76.7	46.9	63.5%
<b>Total revenue</b>	<b>355.8</b>	<b>317.2</b>	<b>12.2%</b>

(1) Includes Segovia from 12 January 2010.

**Total MSS revenue.** Revenues from MSS for the half year ended 30 June 2010 increased by US\$8.8m. Growth has been driven primarily by increased leasing revenue, sales of equipment and increased revenues from Broadband services, partially offset by decreases in revenues from older services and LES services provided to certain distributors.

**Inmarsat MSS.** During the half year ended 30 June 2010, revenues derived from Inmarsat MSS were US\$215.1m, an increase of US\$7.1m, or 3.4%, compared with the half year ended 30 June 2009. The increase is primarily due to increases in the land mobile

sector as well as the leasing and aeronautical sectors, offset in part by a decrease in the maritime sector. Generally, since the second quarter of 2009, revenues from Inmarsat broadband services have been impacted by competitive pricing following the market entry of new Inmarsat distributors.

For the half year ended 30 June 2010, Stratos' share of Inmarsat Global's MSS revenues was 39.4%, compared to 40.5% for the same period in 2009.

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

During the half year ended 30 June 2010, revenues from Other MSS were US\$64.0m, an increase of US\$1.7m, or 2.7%, compared with the half year ended 30 June 2009. The increase is primarily due to increased sales of equipment, partially offset by decreases in LES services provided to other Inmarsat distributors.

**Broadband.** During the half year ended 30 June 2010, revenues from Broadband services were US\$76.7m, an increase of US\$29.8m, or 64%, compared with the half year ended 30 June 2009. The increase is primarily due to the inclusion of Segovia revenues from 12 January 2010 and by increased revenues from microwave bandwidth and services and engineering projects. 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 equipment sales.

#### **Net operating costs**

Net operating costs in the half year ended 30 June 2010 were US\$300.3m, an increase of US\$31.3m or 11.6%, compared with the half year ended 30 June 2009. 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 periods indicated:

(US\$ in millions)	2010 Half year	2009 Half year	Increase
Cost of goods and services	260.5	234.6	11.0%
Operating costs	39.8	34.4	15.7%
<b>Total operating costs</b>	<b>300.3</b>	<b>269.0</b>	<b>11.6%</b>
Allocated as follows:			
Employee benefit costs	46.1	41.6	10.8%
Network and satellite operations costs <sup>(1)</sup>	241.3	219.3	10.0%
Other operating costs	14.3	9.4	52.1%
Work performed by the Group and capitalised	(1.4)	(1.3)	7.7%
<b>Net operating costs</b>	<b>300.3</b>	<b>269.0</b>	<b>11.6%</b>

(1) Includes cost of airtime from satellite operators, including Inmarsat.

**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), 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 the half year ended 30 June 2010 increased by US\$25.9m. The increase is predominantly due to the addition of Segovia as well as increased cost of airtime upon the implementation of the new distribution agreements with Inmarsat which were effective from 1 May 2009 and higher network infrastructure operating costs

resulting primarily from 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 other cost saving initiatives.

**Operating costs.** Operating costs during the half year ended 30 June 2010 increased by US\$5.4m. The increase is primarily due to the inclusion of Segovia, partially offset by a decrease in the operating costs for the remaining Stratos business, mainly as a result of a decrease in salaries and benefits cost.

### **Operating profit**

(US\$ in millions)	2010 Half year	2009 Half year	Increase/ (decrease)
Total revenue	355.8	317.2	12.2%
Cost of goods and services	(260.5)	(234.6)	11.0%
<b>Gross margin</b>	<b>95.3</b>	<b>82.6</b>	<b>15.4%</b>
<i>Gross margin %</i>	26.8%	26.0%	
Operating costs	(38.3)	(33.7)	13.6%
Other costs	(1.5)	(0.7)	114.3%
<b>EBITDA</b>	<b>55.5</b>	<b>48.2</b>	<b>15.1%</b>
<i>EBITDA margin %</i>	15.6%	15.2%	
Depreciation and amortisation	(31.8)	(25.5)	24.7%
Gain on disposal of assets	–	1.5	(100.0%)
Share of results of associate	0.6	0.4	50.0%
Goodwill adjustment	–	(10.1)	(100.0%)
<b>Operating profit</b>	<b>24.3</b>	<b>14.5</b>	<b>67.6%</b>

Stratos' operating profit for the half year ended 30 June 2010 was US\$24.3m, an increase of US\$9.8m or 68%, compared with the half year ended 30 June 2009. The increase is primarily a result of the addition of Segovia.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for the half year ended 30 June 2010 increased as a result of the addition of Segovia, partially offset by an increase in the cost of airtime upon the implementation of the new distribution agreements with Inmarsat effective from 1 May 2009, which generally has not been passed onto end-users, and changes in product mix. 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. In addition, margins have been impacted by competitive pricing as discussed earlier.

### **Group liquidity and capital resources**

At 30 June 2010, the Group had cash and cash equivalents of US\$141.8m and available but undrawn borrowing facilities of US\$160.0m under our Senior Credit Facility. In addition we may borrow a further €92.1m under our EIB 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.

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 19 April 2010, Inmarsat plc announced the signing of 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 may 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. 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 borrower is Inmarsat Investments Limited, a subsidiary of Inmarsat plc and the facility ranks as a senior secured creditor pari passu with our Senior Credit Facility and ahead of our 7.375% Senior Notes due 2017.

In May 2010 and 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. 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) are presented in the table below:

(US\$ in millions)	As at 30 June 2010	As at 31 December 2009
Senior Credit Facility	340.0	290.0
EIB Facility	180.0	–
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.5)	(4.8)
Convertible Bond	274.9	264.9
– accretion of principal	2.5	2.3
Deferred satellite payments	43.9	47.4
Bank overdrafts	1.1	0.5
Stratos Senior Credit Facility	–	209.2
Stratos Senior Unsecured Notes <sup>(1)</sup>	–	86.8
<b>Total borrowings</b>	<b>1,487.9</b>	<b>1,546.3</b>
Cash and cash equivalents	(141.8)	(226.8)
<b>Net Borrowings</b>	<b>1,346.1</b>	<b>1,319.5</b>

(1) 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 interim cash flow for the Group for the half year ended 30 June 2010:

(US\$ in millions)	2010 Half year	2009 Half year
Net cash from operating activities	314.2	288.5
Net cash used in investing activities excluding capital expenditure	(113.6)	(14.1)
Capital expenditure, including own work capitalised	(67.6)	(84.2)
Dividends paid	(94.4)	(87.6)
Net cash used in financing activities excluding dividends paid	(124.7)	(84.6)
Foreign exchange adjustment	0.5	0.4
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(85.6)</b>	<b>18.4</b>

The increase in net cash generated from operating activities of US\$25.7m primarily relates to higher EBITDA in the half year ended 30 June 2010 and improvements in working capital in respect of the change in payment terms following the new distribution agreements becoming effective on 1 May 2009.

The increase in net cash used in investing activities, excluding capital expenditure, of US\$99.5m predominantly reflects US\$110.0m cash paid for the purchase of Segovia and the payment of deferred consideration in relation to our investment in SkyWave Mobile

Communications (“SkyWave”) of US\$2.3m. In the half year ended 30 June 2009, we paid US\$11.4m, including transaction costs for the investment in SkyWave.

Capital expenditure, including own work capitalised, decreased by US\$16.6m. This was due to the shift in capital expenditure from milestone payments in respect of the third Inmarsat-4 satellite and the Satellite Access Station in Hawaii, to expenditure on the GPS network and terminals and the Alphasat satellite project. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Stratos’ cash outflow (including Segovia) in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software was US\$11.3m for the half year ended 30 June 2010 (2009 half year: US\$9.0m).

Net cash used in financing activities, excluding the payment of dividends, increased by US\$40.1m. During the half year ended 30 June 2010, the Group repaid the outstanding balance of the Stratos Senior Credit Facility of US\$209.2m and redeemed the entire principal amount of the Stratos Senior Unsecured Notes of US\$150.0m, plus the redemption premium of US\$7.4m. At the date of the redemption of the Stratos Senior Unsecured Notes in June 2010, the Group held 58.4% of the principal amount of the notes issued. Therefore, upon redemption of these notes, the Group received US\$91.9m (US\$87.6m principal amount plus US\$4.3m redemption premium). During the half year ended 30 June 2010, and prior to the redemption date, the Group purchased US\$24.4m principal amount of the Stratos Senior Unsecured Notes.

In addition, we paid US\$53.0m of cash interest and US\$2.6m relating to arrangement costs of borrowing facilities. We received US\$180.0m from the drawdown of the EIB Facility and US\$50.0m from the drawdown of our Senior Credit Facility. During the half year ended 30 June 2009, we paid cash interest of US\$54.4m, repaid US\$25.0m of our Senior Credit Facility, purchased US\$2.8m of Stratos Senior Unsecured Notes and repaid US\$2.2m of the Stratos Senior Credit Facility.

### ***Group free cash flow***

(US\$ in millions)	<b>2010</b>	<b>2009</b>
	<b>Half year</b>	<b>Half year</b>
Cash generated from operations	325.5	294.8
Capital expenditure	(59.4)	(73.9)
Capitalised operating costs	(8.2)	(10.3)
Net cash interest paid	(52.8)	(54.0)
Cash tax paid	(11.5)	(6.7)
<b>Free cash flow</b>	<b>193.6</b>	<b>149.9</b>

The increase in free cash flow of US\$43.7m, or 29%, is attributable to increased EBITDA, the decrease in capital expenditure and working capital movements in respect of the change in payment terms following the new distribution agreements becoming effective on 1 May 2009. This was partially offset by increased cash tax paid.

## **Group balance sheet**

The table below shows the condensed consolidated Group balance sheet as at 30 June 2010:

(US\$ in millions)	As at 30 June 2010	As at 31 December 2009
Non-current assets	2,514.0	2,429.7
Current assets	423.1	475.9
<b>Total assets</b>	<b>2,937.1</b>	<b>2,905.6</b>
Current liabilities	(483.0)	(364.5)
Non-current liabilities	(1,486.5)	(1,571.1)
<b>Total liabilities</b>	<b>(1,969.5)</b>	<b>(1,935.6)</b>
<b>Net assets</b>	<b>967.6</b>	<b>970.0</b>

The increase in the Group's non-current assets of US\$84.3m 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 10 for details) and additions during the half year ended 30 June 2010. The increase was offset in part by the decrease in derivative financial instruments relating to our foreign exchange rate hedging from US\$12.0m at 31 December 2009 to US\$1.5m at 30 June 2010 and depreciation and amortisation of capital assets during the half year ended 30 June 2010.

The decrease in current assets of US\$52.8m is due predominantly to the decrease in cash and cash equivalents from US\$226.8m at 31 December 2009 to US\$141.8m at 30 June 2010. Derivative financial instruments relating to foreign exchange rate hedging decreased from US\$12.1m at 31 December 2009 to US\$1.3m at 30 June 2010. Partially offsetting the decrease is the increase in trade and other receivables from US\$227.5m at 31 December 2009 to US\$259.3m at 30 June 2010. In addition, inventory increased from US\$9.5m at 31 December 2009 to US\$12.5m at 30 June 2010, and we recorded US\$8.2m restricted cash relating to Segovia. At the date of acquisition of Segovia, we recorded US\$12.9m of trade and other receivables, US\$1.5m of inventory and US\$6.0m of restricted cash (see note 10).

The increase in current liabilities of US\$118.5m relates primarily to the increase in short-term borrowings of US\$65.5m due to additional drawings on our Senior Credit Facility and US\$25.0m being transferred from non-current to current in the period. In addition, trade and other payables and the current tax liability increased by US\$25.2m and US\$23.3m, respectively. Derivative financial instruments relating to foreign exchange and interest rate hedging increased from US\$14.1m at 31 December 2009 to US\$19.0m at 30 June 2010.

The decrease in non-current liabilities of US\$84.6m relates primarily to the repayment of US\$209.2m of the Stratos Senior Credit Facility and the redemption of the 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, of which US\$24.4m was purchased during the half year ended 30 June 2010). In addition, US\$25.0m relating to the Senior Credit Facility was transferred from non-current to current in the period. Partially offsetting the decrease was an increase in borrowing as a result of the drawdown of US\$180.0m under the EIB facility and US\$50.0m under the Senior Credit Facility. In addition other payables and derivative financial instruments, relating to our foreign exchange rate and interest rate hedging, increased by US\$27.3m and US\$7.3m, respectively. At the date of acquisition of Segovia, we recorded US\$14.9m of deferred revenue and US\$2.8m of trade and other payables (see note 10).

## ***Risk factors***

The Inmarsat Group faces a number of risks and uncertainties, not all of which are wholly within our control. Although many of the risk factors influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services. There are potential risk factors which could have a material impact on the Group's performance. These could cause actual results to differ materially from expected and historical results. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, revenue, profits, assets, liquidity and capital resources adversely.

The Directors have considered the principal risks and uncertainties affecting the Group and its performance in the period and determined that those discussed on pages 24, 25, 67, 68 and 69 of the Group's published accounts for the year ended 31 December 2009 (located at [www.inmarsat.com](http://www.inmarsat.com)) remain relevant. These risks include operational risk relating to our satellites, distribution, spectrum, regulation, competition, financial risks (including interest rate and foreign currency fluctuations) and general economic conditions. The risk factors should also be considered in connection with the forward-looking statements in this document and the cautionary statement regarding forward-looking statements.

## ***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***

We have separately announced today a major new investment project called Inmarsat-5. Inmarsat-5 will comprise a global network of Ka-band satellites, primarily focused on providing super high bandwidth services to the wider MSS markets in maritime, energy and government, which represent incremental long term growth opportunities. The total expected cost of our Inmarsat-5 programme will be US\$1.2bn and we expect to bring the network into commercial service in 2014. For more information see our separate press release dated 6 August 2010.

On 27 July 2010 the Finance Bill issued on 1 July 2010 was substantively enacted, reducing corporate tax rates from 28% to 27% with effect from 1 April 2011. We have considered the impact of this corporation tax rate reduction on our deferred tax balances and do not believe the impact to be material for the half year ended 30 June 2010. Furthermore, the Emergency Budget 2010 introduced further annual corporation tax rate reductions of 1% reaching 24% on 1 April 2012.

Subsequent to 30 June 2010, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated interim financial results of the Group.

## ***Outlook for the Group***

As a result of our business performance in the first half and the successful launch of our handheld global satellite phone service, we remain on track to deliver solid revenue growth in 2010. We are also announcing a target average annual revenue growth rate for our Inmarsat Global MSS revenues of 5-7% for the period 2010 – 2014 (using the revenue for 2009 as the base year).

Following the separate announcement today of our Inmarsat-5 investment programme, we are revising our capital expenditure guidance to US\$240 - 250m for 2010. This includes capital expenditure for our existing operations, which remains unchanged at US\$160 - 170m.

Taking into account our new capital investment plans and the anticipated performance of our existing business, we are confident that our rate of dividend growth can be sustained at 10% for the next three years (2010-2012).

Inmarsat plc  
99 City Road  
London EC1Y 1AX

By order of the Board,

Andrew Sukawaty  
Chairman and Chief Executive Officer  
6 August 2010

Rick Medlock  
Chief Financial Officer  
6 August 2010

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
For the half year ended 30 June 2010  
(unaudited)

(US\$ in millions)	2010 Half year	2009 Half year
<b>Revenues</b>	<b>570.7</b>	<b>508.7</b>
Employee benefit costs	(92.0)	(94.3)
Network and satellite operations costs	(109.4)	(96.4)
Other operating costs	(43.1)	(39.2)
Work performed by the Group and capitalised	8.2	11.1
<b>Total net operating costs</b>	<b>(236.3)</b>	<b>(218.8)</b>
<b>EBITDA</b>	<b>334.4</b>	<b>289.9</b>
Depreciation and amortisation	(114.9)	(116.5)
Share of results of associates	0.6	0.4
Gain on disposal of fixed assets	–	1.5
Goodwill adjustment	–	(10.1)
<b>Operating profit</b>	<b>220.1</b>	<b>165.2</b>
Interest receivable and similar income	3.8	0.8
Interest payable and similar charges	(72.1)	(69.0)
Net interest payable	(68.3)	(68.2)
<b>Profit before income tax</b>	<b>151.8</b>	<b>97.0</b>
Income tax expense	(44.8)	(23.1)
<b>Profit for the period</b>	<b>107.0</b>	<b>73.9</b>
<b>Attributable to:</b>		
<b>Equity holders</b>	<b>106.9</b>	<b>73.9</b>
<b>Non-controlling interest</b>	<b>0.1</b>	<b>–</b>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US\$ per share)		
— Basic	0.23	0.16
— Diluted	0.24	0.17

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
For the half year ended 30 June 2010  
(unaudited)

(US\$ in millions)	2010 Half year	2009 Half year
<b>Profit for the period</b>	<b>107.0</b>	<b>73.9</b>
<b>Other comprehensive (loss)/income</b>		
Actuarial losses from pension and post retirement healthcare benefits	–	(15.1)
Net (losses)/gains on cash flow hedges	(31.8)	39.9
Tax credited/(charged) directly to equity	9.4	(6.1)
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(22.4)</b>	<b>18.7</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>84.6</b>	<b>92.6</b>
<b>Attributable to:</b>		
<b>Equity holders</b>	<b>84.5</b>	<b>92.6</b>
<b>Non-controlling interest</b>	<b>0.1</b>	<b>–</b>

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
**At 30 June 2010**

(US\$ in millions)	As at 30 June 2010 (unaudited)	As at 31 December 2009 (audited)	As at 30 June 2009 (unaudited)
<b>Non-current assets</b>			
Property, plant and equipment	1,331.0	1,365.2	1,402.9
Intangible assets	1,146.7	1,020.0	1,014.9
Investments	31.0	31.0	7.6
Other receivables	3.8	1.5	0.9
Derivative financial instruments	1.5	12.0	14.1
	<b>2,514.0</b>	<b>2,429.7</b>	<b>2,440.4</b>
<b>Current assets</b>			
Cash and cash equivalents	141.8	226.8	173.1
Restricted cash	8.2	–	–
Trade and other receivables	259.3	227.5	258.4
Inventories	12.5	9.5	11.4
Derivative financial instruments	1.3	12.1	8.6
	<b>423.1</b>	<b>475.9</b>	<b>451.5</b>
<b>Total assets</b>	<b>2,937.1</b>	<b>2,905.6</b>	<b>2,891.9</b>
<b>Current liabilities</b>			
Borrowings	174.9	109.4	377.4
Trade and other payables	231.3	206.1	165.0
Provisions	0.5	0.9	0.7
Current income tax liabilities	57.3	34.0	70.5
Derivative financial instruments	19.0	14.1	8.2
	<b>483.0</b>	<b>364.5</b>	<b>621.8</b>
<b>Non-current liabilities</b>			
Borrowings	1,287.2	1,403.5	1,187.4
Other payables	54.9	27.6	24.0
Provisions	52.2	55.8	54.2
Deferred income tax liabilities	72.0	71.3	31.8
Derivative financial instruments	20.2	12.9	26.1
	<b>1,486.5</b>	<b>1,571.1</b>	<b>1,323.5</b>
<b>Total liabilities</b>	<b>1,969.5</b>	<b>1,935.6</b>	<b>1,945.3</b>
<b>Net assets</b>	<b>967.6</b>	<b>970.0</b>	<b>946.6</b>
<b>Shareholders' equity</b>			
Ordinary shares	0.3	0.3	0.3
Share premium	683.9	679.7	679.7
Equity reserve	56.9	56.9	56.9
Other reserves	(4.2)	15.4	8.2
Retained earnings	230.1	217.2	201.0
<b>Equity attributable to shareholders of the parent</b>	<b>967.0</b>	<b>969.5</b>	<b>946.1</b>
Non-controlling interest	0.6	0.5	0.5
<b>Total equity</b>	<b>967.6</b>	<b>970.0</b>	<b>946.6</b>

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
For the half year ended 30 June 2010  
(unaudited)

(US\$ in millions)	2010 Half year	2009 Half year
<b>Cash flow from operating activities</b>		
Cash generated from operations	325.5	294.8
Interest received	0.2	0.4
Income taxes paid	(11.5)	(6.7)
<b>Net cash from operating activities</b>	<b>314.2</b>	<b>288.5</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(46.3)	(50.8)
Additions to capitalised development costs, including software	(13.1)	(23.1)
Work performed by the Group and capitalised	(8.2)	(10.3)
Purchase of Segovia	(110.0)	–
Other investments, including acquisition of other subsidiaries	(3.6)	(14.1)
<b>Net cash used in investing activities</b>	<b>(181.2)</b>	<b>(98.3)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	(94.4)	(87.6)
Drawdown/(repayment) of Senior Credit Facility	50.0	(25.0)
Drawdown of EIB Facility	180.0	–
Repayment of the Stratos Senior Credit Facility	(209.2)	(2.2)
Redemption of the Stratos Senior Unsecured Notes	(65.5)	–
Purchase of own debt securities, including discount	(24.4)	(2.8)
Interest paid on borrowings	(53.0)	(54.4)
Arrangement costs of new borrowing facilities	(2.6)	–
Other financing activities	–	(0.2)
<b>Net cash used in financing activities</b>	<b>(219.1)</b>	<b>(172.2)</b>
Foreign exchange adjustment	0.5	0.4
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(85.6)</b>	<b>18.4</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of year	226.3	154.6
Net (decrease)/increase in cash and cash equivalents	(85.6)	18.4
<b>As reported on balance sheet (net of bank overdrafts)</b>	<b>140.7</b>	<b>173.0</b>
<b>At end of year, comprising</b>		
Cash and cash equivalents per the balance sheet	141.8	173.1
Bank overdrafts	(1.1)	(0.1)
	<b>140.7</b>	<b>173.0</b>

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the half year ended 30 June 2010

(US\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Other reserves	Retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2009</b> <b>(audited)</b>	<b>0.3</b>	<b>679.6</b>	<b>56.9</b>	<b>(25.2)</b>	<b>220.6</b>	<b>1.5</b>	<b>933.7</b>
Net fair value gains - cash flow hedges	-	-	-	39.9	-	-	39.9
Issue of share capital	-	0.1	-	-	-	-	0.1
Share options charge	-	-	-	4.6	-	-	4.6
Profit for the period	-	-	-	-	73.9	-	73.9
Dividends payable	-	-	-	-	(83.4)	-	(83.4)
Actuarial losses from pension and post-retirement healthcare benefits	-	-	-	-	(15.1)	-	(15.1)
Tax (charged)/credited directly to equity	-	-	-	(11.1)	5.0	-	(6.1)
Purchase of non-controlling interest	-	-	-	-	-	(1.0)	(1.0)
<b>Balance at 30 June 2009</b> <b>(unaudited)</b>	<b>0.3</b>	<b>679.7</b>	<b>56.9</b>	<b>8.2</b>	<b>201.0</b>	<b>0.5</b>	<b>946.6</b>
Net fair value gains - cash flow hedges	-	-	-	4.1	-	-	4.1
Share options charge	-	-	-	4.5	-	-	4.5
Profit for the period	-	-	-	-	78.8	0.1	78.9
Additional investment in associates	-	-	-	-	-	(0.1)	(0.1)
Dividends payable	-	-	-	-	(58.4)	-	(58.4)
Actuarial losses from pension and post-retirement healthcare benefits	-	-	-	-	(6.3)	-	(6.3)
Tax (charged)/credited directly to equity	-	-	-	(1.4)	2.1	-	0.7
<b>Balance at 31 December 2009</b> <b>(audited)</b>	<b>0.3</b>	<b>679.7</b>	<b>56.9</b>	<b>15.4</b>	<b>217.2</b>	<b>0.5</b>	<b>970.0</b>
Net fair value losses - cash flow hedges	-	-	-	(31.8)	-	-	(31.8)
Issue of share capital	-	4.2	-	-	-	-	4.2
Share options charge	-	-	-	3.5	-	-	3.5
Profit for the period	-	-	-	-	106.9	0.1	107.0
Dividends payable	-	-	-	-	(94.7)	-	(94.7)
Tax credited directly to equity	-	-	-	8.7	0.7	-	9.4
<b>Balance at 30 June 2010</b> <b>(unaudited)</b>	<b>0.3</b>	<b>683.9</b>	<b>56.9</b>	<b>(4.2)</b>	<b>230.1</b>	<b>0.6</b>	<b>967.6</b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS

### 1. General Information

The principal activity of Inmarsat plc and its subsidiaries (together "the Group") is the provision of mobile satellite communications services ("MSS"). These consolidated interim financial results were approved for issue by the Board of Directors on 6 August 2010.

The financial information for the year ended 31 December 2009 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was 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 unaudited consolidated interim financial results for the half year ended 30 June 2010 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2009, and which are available on our website at [www.inmarsat.com](http://www.inmarsat.com). Except as described below, the unaudited condensed consolidated interim 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. Operating results for the half year ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. The consolidated balance sheet as at 31 December 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

- Taxes are accrued based on management's estimated annual effective income tax rate applied to the Group's interim pre-tax income.
- The Group adopted IFRS 3 (as revised) – Business Combinations (effective for financial years beginning on or after 1 July 2009) for the first time in the current financial year, specifically in relation to the acquisition of Segovia, Inc. ("Segovia") (see note 10).
- 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 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009);
  - IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009);
  - 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).

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 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 Group has adequate resources to continue in operational existence for the foreseeable future.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

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. Group reorganisation**

On 30 June 2010 we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos and its subsidiaries), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Ventures Limited. The Group Reorganisation does not impact the results of the Group as Inmarsat plc remains the ultimate parent company of the Group.

### **4. 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.

In the condensed consolidated interim financial results for the half year ended 30 June 2009, management identified three main segments, namely Inmarsat MSS, Stratos MSS and Broadband. Since the completion of the Stratos acquisition in April 2009 and the release of the 2009 interim results, management have refined the way in which they manage the Group. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is more 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 internally generated airtime, equipment and services to distribution partners and end-users of mobile satellite communications by the Inmarsat business. 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;
- 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. Comparative amounts for the half year ended 30 June 2009 have been re-presented.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

### Segment information:

(US\$ in millions)	2010 Half year				
	Inmarsat Global	Stratos <sup>(a)</sup>	Unallocated	Eliminations	Total
Revenue <sup>(b)</sup>					
External sales	217.9	352.8	–	–	570.7
Inter-segment	149.9	3.0	–	(152.9)	–
<b>Total revenue</b>	<b>367.8</b>	<b>355.8</b>	<b>–</b>	<b>(152.9)</b>	<b>570.7</b>
Segment result (operating profit)	194.9	24.3	–	0.9	220.1
Net interest charged to the Income Statement	–	–	(68.3)	–	(68.3)
Profit before income tax					151.8
Income tax expense					(44.8)
Profit for the year					107.0
Segment assets	2,057.4	929.2	141.8	(191.3)	2,937.1
Segment liabilities	(269.8)	(190.5)	(1,591.4)	82.2	(1,969.5)
Capital expenditure <sup>(c)</sup>	(51.7)	(16.2)	–	–	(67.9)
Depreciation	(72.3)	(14.4)	–	–	(86.7)
Amortisation of intangible assets	(10.8)	(17.4)	–	–	(28.2)

(a) Includes Segovia from 12 January 2010.

(b) Revenue from the sale of user terminals is classified as either Inmarsat MSS or Stratos revenue for the purpose of segment reporting, depending on the nature of the terminal. In addition, revenue includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, which are classified as 'other income' in the revenue analysis table on page 8.

(c) Capital expenditure stated using accruals basis.

(US\$ in millions)	2009 Half year (re-presented)				
	Inmarsat Global	Stratos	Unallocated	Eliminations	Total
Revenue <sup>(a)</sup>					
External sales	193.7	315.0	–	–	508.7
Inter-segment	142.9	2.2	–	(145.1)	–
<b>Total revenue</b>	<b>336.6</b>	<b>317.2</b>	<b>–</b>	<b>(145.1)</b>	<b>508.7</b>
Segment result (operating profit)	152.9	14.5	–	(2.2)	165.2
Net interest charged to the Income Statement	–	–	(68.2)	–	(68.2)
Profit before income tax					97.0
Income tax expense					(23.1)
Profit for the year					73.9
Segment assets	2,051.4	785.8	173.1	(118.4)	2,891.9
Segment liabilities	(216.5)	(165.5)	(1,667.0)	103.7	(1,945.3)
Capital expenditure <sup>(b)</sup>	(74.8)	(9.2)	–	0.3	(83.7)
Investment <sup>(c)</sup>	23.5	–	–	–	23.5
Depreciation	(80.8)	(12.9)	–	–	(93.7)
Amortisation of intangible assets	(10.2)	(12.6)	–	–	(22.8)

(a) Revenue from the sale of user terminals is classified as either Inmarsat MSS or Stratos revenue for the purpose of segment reporting, depending on the nature of the terminal. In addition, revenue includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, which are classified as 'other income' in the revenue analysis table on page 8.

(b) Capital expenditure stated using accruals basis.

(c) Relates to 19% stake in SkyWave Mobile Communications acquired in 2009.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

### 5. Net interest payable

(US\$ in millions)	2010 Half year	2009 Half year
Interest on Senior Notes and credit facilities	(30.5)	(11.5)
Interest on Senior Discount Notes	–	(23.3)
Interest on Convertible Bond	(12.8)	(11.9)
Interest rate swaps	(6.8)	(5.1)
Pension and post-retirement liability finance costs	–	(4.5)
Unwinding of discount on deferred satellite liabilities	(1.4)	(1.5)
Amortisation of debt issue costs	(3.9)	(2.5)
Amortisation of discount on Senior Notes due 2017	(0.3)	–
Interest on Stratos borrowings	(17.1)	(9.8)
Premium on purchase of Stratos Senior Unsecured Notes	(1.4)	–
Other interest	(0.9)	(0.5)
<b>Interest payable and similar charges</b>	<b>(75.1)</b>	<b>(70.6)</b>
Less: Amounts included in the cost of qualifying assets	3.0	1.6
<b>Total interest payable and similar charges</b>	<b>(72.1)</b>	<b>(69.0)</b>
Bank interest receivable and other interest	0.4	0.8
Pension and post-retirement liability finance costs	3.4	–
<b>Total interest receivable and similar income</b>	<b>3.8</b>	<b>0.8</b>
<b>Net interest payable</b>	<b>(68.3)</b>	<b>(68.2)</b>

### 6. Income tax expense

(US\$ in millions)	2010 Half year	2009 Half year
<b>Current tax:</b>		
Current year	(34.6)	(48.5)
Adjustments in respect of prior periods	–	(1.5)
<b>Total current tax expense</b>	<b>(34.6)</b>	<b>(50.0)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(10.2)	26.9
Other	–	–
<b>Total deferred tax (expense)/credit</b>	<b>(10.2)</b>	<b>26.9</b>
<b>Total income tax expense</b>	<b>(44.8)</b>	<b>(23.1)</b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

### 7. Net borrowings

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

(US\$ in millions)	As at 30 June 2010			As at 31 December 2009		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
<b>Current:</b>						
Bank overdrafts	1.1	–	1.1	0.5	–	0.5
Deferred satellite payments	8.8	–	8.8	9.3	–	9.3
Senior Credit Facility	165.0	–	165.0	90.0	–	90.0
Stratos Senior Credit Facility <sup>(a)</sup>	–	–	–	9.6	–	9.6
<b>Total current borrowings</b>	<b>174.9</b>	<b>–</b>	<b>174.9</b>	<b>109.4</b>	<b>–</b>	<b>109.4</b>
<b>Non-current:</b>						
Senior Credit Facility	175.0	(8.6)	166.4	200.0	(10.6)	189.4
EIB Facility <sup>(b)</sup>	180.0	(2.6)	177.4	–	–	–
Senior Notes due 2017	650.0	(11.6)	638.4	650.0	(12.5)	637.5
—Issuance discount	(4.5)	–	(4.5)	(4.8)	–	(4.8)
Deferred satellite payments	35.1	–	35.1	38.1	–	38.1
Convertible Bond	274.9	(3.0)	271.9	264.9	(3.6)	261.3
—Accretion of principal	2.5	–	2.5	2.3	–	2.3
Stratos Senior Credit Facility <sup>(a)</sup>	–	–	–	199.6	(2.3)	197.3
Stratos Senior Unsecured Notes <sup>(c)</sup>	–	–	–	86.8	(4.4)	82.4
<b>Total non-current borrowings</b>	<b>1,313.0</b>	<b>(25.8)</b>	<b>1,287.2</b>	<b>1,436.9</b>	<b>(33.4)</b>	<b>1,403.5</b>
<b>Total Borrowings</b>	<b>1,487.9</b>	<b>(25.8)</b>	<b>1,462.1</b>	<b>1,546.3</b>	<b>(33.4)</b>	<b>1,512.9</b>
Cash and cash equivalents	(141.8)	–	(141.8)	(226.8)	–	(226.8)
<b>Net Borrowings</b>	<b>1,346.1</b>	<b>(25.8)</b>	<b>1,320.3</b>	<b>1,319.5</b>	<b>(33.4)</b>	<b>1,286.1</b>

(a) 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.

(b) On 19 April 2010, Inmarsat plc announced the signing of an 8-year facility agreement from the European Investment Bank (“EIB”). Under the agreement, we may borrow up to €225m at any time before 23 December 2010. The facility is available in Euros and US dollars. An initial draw down of US\$180.0m was made on 30 April 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.

(c) 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 note redemption premium of US\$7.4m. In addition, we wrote-off US\$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Unsecured Notes.

### 8. Dividends

(US\$ in millions)	2010 Half year	2009 Half year
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

On 1 April 2010, a second interim dividend for the 2009 financial year of 20.63 cents (US\$) was paid in lieu of a final dividend. No final dividend for 2009 was declared or paid.

The Board intends to declare and pay an interim dividend of 14.00 cents (US\$) per ordinary share on 29 October 2010 to ordinary shareholders on the Register at the close of business on 1 October 2010. Dividend payments will be made in Pounds Sterling based on

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)**

the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this dividend has not been recorded as a liability for the half year ended 30 June 2010.

### **9. Earnings per share**

The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 459,890,536 and potentially in issue of 488,545,223, respectively (2009: 458,883,554 and 485,421,834). At 30 June 2010, there were a total of 460,606,780 (2009: 459,542,759) ordinary shares in issue.

### **10. Acquisition of Segovia**

On 12 January 2010, we completed the acquisition of the business and assets of Segovia for an initial consideration of US\$110.0m, and may pay additional amounts depending on the performance of the acquired business over the next three years. Segovia is a leading provider of secure Internet Protocol managed solutions and services to United States government agencies. 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.

We have accounted for the acquisition of Segovia, using the purchase method of accounting in accordance with IFRS 3 (as revised), 'Business Combinations'. The consolidated results of the Group for the half year ended 30 June 2010 include the financial results of Segovia for the period 12 January 2010 to 30 June 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 period ended 30 June 2010, the allocation of the purchase consideration was finalised. As a result of this review, we 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, we believe 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.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

The allocation of the purchase consideration to the net assets and liabilities of Segovia, based on information up to 30 June 2010, is as follows:

(US\$ in millions)	Book value	Fair value adjustments	Fair value at 30 June 2010
<b>Net assets acquired:</b>			
Intangible assets <sup>(a)</sup>	–	113.7	113.7
Property, plant and equipment	3.3	–	3.3
<b>Total Non-current assets</b>	<b>3.3</b>	<b>113.7</b>	<b>117.0</b>
Restricted cash <sup>(b)</sup>	6.0	–	6.0
Trade and other receivables <sup>(c)</sup>	12.9	–	12.9
Inventories	1.5	–	1.5
<b>Total Current assets</b>	<b>20.4</b>	<b>–</b>	<b>20.4</b>
Trade and other payables	(2.8)	–	(2.8)
Deferred revenue	(14.9)	–	(14.9)
<b>Total liabilities</b>	<b>(17.7)</b>	<b>–</b>	<b>(17.7)</b>
<b>Identifiable net assets</b>	<b>6.0</b>	<b>113.7</b>	<b>119.7</b>
Allocated purchase consideration:			
Cash consideration			110.0
Contingent consideration <sup>(d)</sup>			36.9
<b>Total allocated purchase consideration</b>			<b>146.9</b>
<b>Goodwill recognised</b>			<b>27.2</b>

- (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.
- (b) Restricted cash relates to cash received from customers for the advance payment of services.
- (c) 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.
- (d) 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 an assumed discount rate of 14.0%.

The revenue included in the condensed consolidated interim statement of comprehensive income for the half year ended 30 June 2010 contributed by Segovia since the acquisition date was US\$37.8m. Segovia also contributed a profit after tax of US\$3.1m over the same period. Given the close proximity of the acquisition date to the beginning of the year, Segovia’s contribution to the condensed consolidated interim statement of comprehensive income, assuming the transaction had occurred on 1 January 2010, would not be materially different from their actual contribution from the date of acquisition.

### 11. Events after the balance sheet date

We have separately announced today a major new investment project called Inmarsat-5. Inmarsat-5 will comprise a global network of Ka-band satellites, primarily focused on providing super high bandwidth services to the wider MSS markets in maritime, energy and government, which represent incremental long term growth opportunities. The total expected cost of our Inmarsat-5 programme will be US\$1.2bn and we expect to bring the network into commercial service in 2014. For more information see our separate press release dated 6 August 2010.

On 27 July 2010 the Finance Bill issued on 1 July 2010 was substantively enacted, reducing corporate tax rates from 28% to 27% with effect from 1 April 2011. We have considered the impact of this corporation tax rate reduction on our deferred tax balances and

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)**

do not believe the impact to be material for the half year ended 30 June 2010. Furthermore, the Emergency Budget 2010 introduced further annual corporation tax rate reductions of 1% reaching 24% on 1 April 2012.

Subsequent to 30 June 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.

## **INDEPENDENT REVIEW REPORT TO INMARSAT PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim cash flow statement, the condensed consolidated interim statement of changes in equity and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditors  
London  
6 August 2010