INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL RESULTS
For the three months ended 31 March 2011
(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 2010, which can be accessed via our website at www.inmarsat.com.

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

Non-IFRS Measures

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

Net Borrowings

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

Free cash flow

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

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

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

EBITDA

We define EBITDA as profit before interest, taxation, depreciation and amortisation, share of results of associates, gain on disposal of fixed assets and acquisition-related adjustments. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.

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

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

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Operating and Financial Review

The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the three months ended 31 March 2011. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Overview

Inmarsat is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating its satellite-based network. With a fleet of eleven owned and operated geostationary satellites, our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and video conferencing. Our Inmarsat Solutions business, (previously called Stratos), comprised of Stratos and Segovia and their respective subsidiaries, offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities.

The Group's revenues for the three months ended 31 March 2011 were US$323.9m (2010: US$281.5m), EBITDA was US$204.1m (2010: US$165.7m) and operating profit was US$144.6m (2010: US$111.3m). The results of the Group's operations are reported in U.S. dollars as the majority of our revenues and borrowings are denominated in U.S. dollars.

Acquisition of Ship Equip

On 28 April 2011, we completed the acquisition of Ship Equip International A.S. ("Ship Equip") for a total consideration of US$159.5m. Based in Ålesund, Norway, Ship Equip is a leading provider of VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets. Ship Equip's expertise in developing and deploying VSAT communications solutions to key verticals in the maritime market, coupled with its worldwide committed capacity arrangements and installed base of over 850 vessels (as at December 2010), have made it a leader in the evolving VSAT maritime communications market. In 2010 Ship Equip generated revenues of US$56m (NOK312m).

Ship Equip is ideally positioned to support the evolution of certain segments of the maritime market to higher speed services, especially those to be offered by the Global Xpress programme after its expected launch in 2013. Ship Equip has a large installed base of VSAT customers, who we expect to be in the forefront of the transition to Global Xpress services, as well as a management team with extensive knowledge of VSAT operations and customers which will help us ensure that Global Xpress is a compelling proposition for the maritime community. This acquisition demonstrates our clear determination to prepare the way for a fast and successful take-up of Ka-band services via Global Xpress.

Ship Equip has been acquired by Inmarsat Solutions Limited and will operate as a separate subsidiary alongside the Stratos and Segovia businesses. Inmarsat has financed the transaction from available liquidity.

Global Xpress Programme

On 18 February 2011, we signed a contract with VT iDirect ("iDirect") to provide the Ground Network Infrastructure and Core Module technology for integration into the Satellite Terminals for our Global Xpress service.

iDirect will design, develop, manufacture, test and commission the Global Xpress Ground Network Infrastructure, building upon its leadership position in the VSAT network technology arena. To facilitate the delivery of the Global Xpress promise of global broadband connectivity, iDirect will leverage its core platform capabilities and its advancements in mobility, quality of service and network management. As part of the agreement, iDirect will supply a Global Xpress compatible Core Module for integration into Global Xpress Maritime satellite terminals. iDirect also plans to produce a range of Global Xpress Core Modules specifically designed for the Aeronautical and Government sectors.

On 2 March 2011, we announced the selection of Cobham plc ("Cobham") as the initial launch partner for maritime satellite terminals for our Global Xpress service. Sea Tel, a subsidiary of Cobham, has been awarded contracts to develop, manufacture, test and distribute Global Xpress maritime satellite terminals. As initial launch partner, Sea Tel will ensure availability of Global Xpress maritime satellite terminals at service introduction which is planned for 2013.

Sea Tel will develop a new terminal specifically designed for operation in the Ka-band and will utilise the new Core Module developed by iDirect. Working together, iDirect's Core Module and Sea Tel's Marine Terminal will provide state-of-the-art capabilities fully consistent with the Global Xpress objective of delivering up to 50Mbps downlink speeds to 60cm aperture terminals. As part of this contract, Sea Tel will distribute the new terminals and provide training and support prior to the launch of the first Global Xpress service.

LightSquared Cooperation Agreement

Transition into Phase 1 of our Cooperation Agreement with LightSquared is progressing as planned. In order to activate Phase 1, we have begun a process of transition to a modified spectrum plan which will increase spectrum contiguity for both Inmarsat and LightSquared. In addition, we will incur the cost of certain network and terminal modifications. During this process, LightSquared will make a series of payments to us under the Cooperation Agreement totalling US$368.8m, which includes US$31.25m paid in December 2009 to maintain the Cooperation Agreement. To date, LightSquared has made payments totalling US$192.5m. We will be accounting for these and future Phase 1 payments using the percentage of completion method. During 2011, we currently expect to recognise US$80.0m to US$100.0m of revenue and up to US$20.0m of operating costs in relation to Phase 1, of which we have recognised US$16.4m of revenue and US$1.7m of external operating costs during the three months ended 31 March 2011.

On 28 January 2011, we received notice from LightSquared triggering the commencement of transition to Phase 2 of the Cooperation Agreement together with a first partial quarterly payment of US$20.1m. On 31 March 2011, we received the second quarterly payment of US$28.7m. In order to activate Phase 2, we have begun a phased transition to a further spectrum plan that increases the total spectrum capacity available to LightSquared for ATC services in North America. In return, we will receive payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from 28 January 2011. The implementation of Phase 2 will cause an eventual reduction in aggregate L-band spectrum available for Inmarsat services over North America. While it is too soon to predict the impact that this early notice and subsequent reduction of spectrum will have on our MSS revenue growth in North America in the coming years, we are confident that we will be able to minimise the service impact on our existing users in this area. We have already taken measures as part of the migration programme to offer enhanced services for customers (such as the Inmarsat B to FleetBroadband migration incentive and safety services over SwiftBroadband programme), and we will continue to encourage users to progressively upgrade to much more spectrum efficient BGAN, SwiftBroadband and FleetBroadband services. Furthermore, starting in 2013, we expect customers will be able to start to benefit from extensive Ka-band services following the launch of our Global Xpress services, which will greatly augment our available spectrum resources in North America. During 2011, we currently expect to recognise US$107.0m of revenue in relation to Phase 2, of which we have recognised US$20.1m during the three months ended 31 March 2011.

On 25 April 2011, we agreed with LightSquared to make certain amendments to the Cooperation Agreement. In connection with the agreed amendments, we received a payment of US$40.0m on 29 April 2011 and expect to incur certain additional costs in the future which we do not expect to exceed the payment received. We are currently considering the accounting treatment of the payment arising from the agreed amendment and expect to comment on this in future results reports.

Inmarsat Services

On 15 March 2011, we announced that we are working with partner SkyWave to develop a new low data rate tracking, monitoring and messaging service, our IsatData Pro, which is planned for launch in Q3 2011. IsatData Pro will deliver a significant increase in capability over other services already in the market. Near real-time messages of up to 10,000 bytes to the device, and up to 6,400 bytes from the device, will meet the increasing demand for higher data speeds in machine-to-machine ("M2M") solutions. In comparison, other global M2M services currently on the market offer data connectivity at just 270-340 bytes. The new service will support a wide range of security and location-based services in the fast-growing M2M market, from tracking and in-cab messaging for commercial transportation and government fleets, transmitting telemetry information from oil & gas distribution equipment, to remote management and control of fixed assets. SkyWave and Inmarsat will promote IsatData Pro to government users and the road, rail, merchant shipping, commercial fishing, oil & gas, and utilities sectors. Target geographies include the U.S and Latin America, but also China and Russia, two rapidly expanding markets for M2M services.

On 23 March 2011, we announced the availability of a data service on our global handheld satellite phone, IsatPhone Pro. The new circuit-switched data capability, offering an effective data rate of up to 20kbps, is now available on all new handsets.

Financing

During 2010, we applied to the Export-Import Bank of the United States ("Ex-Im Bank") for financing support in relation to our Inmarsat-5 programme. In December 2010 we received confirmation from Ex-Im Bank that an important stage of our application had been approved. As a result we have been working with Ex-Im Bank to complete formal documentation and have reached an advanced stage in this process. We will make a public announcement once a formal agreement has been signed.

Dividends

A final dividend in respect of 2010 of US$104.3m was approved by the directors on 6 May 2011 to be paid to Inmarsat Holdings Limited (the parent company). Inmarsat plc intends to use the proceeds of the dividend it receives principally to fund a previously announced dividend to holders of its ordinary shares.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat Group Limited for the three months ended 31 March 2011. We report two operating segments, namely Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes Segovia, which we acquired on 12 January 2010. The results for the three months ended 31 March 2010 have been restated to reflect the Group Reorganisation which took place in 2010. The table below sets out the results of the Group for the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Revenue	**323.9**	**281.5**	**15.1%**
Employee benefit costs	(46.8)	(47.1)	(0.6%)
Network and satellite operations costs	(51.3)	(53.4)	(3.9%)
Other operating costs	(26.3)	(19.5)	34.9%
Own work capitalised	4.6	4.2	9.5%
Total net operating costs	**(119.8)**	**(115.8)**	**3.5%**
EBITDA	**204.1**	**165.7**	**23.2%**
Depreciation and amortisation	(59.8)	(54.7)	9.3%
Share of results of associates	0.3	0.3	–
Operating profit	**144.6**	**111.3**	**29.9%**
Interest receivable and similar income	0.6	3.3	(81.8%)
Interest payable and similar charges	(20.4)	(32.0)	(36.3%)
Net interest payable	(19.8)	(28.7)	(31.0%)
Profit before income tax	**124.8**	**82.6**	**51.1%**
Income tax expense	(32.8)	(23.5)	39.6%
Profit for the period	**92.0**	**59.1**	**55.7%**

Revenues

Total Group revenues for the three months ended 31 March 2011 increased by 15.1% compared with the three months ended 31 March 2010. The table below sets out the components, by segment, of the Group's total revenue for each of the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Inmarsat Global	222.8	183.6	21.4%
Inmarsat Solutions	176.1	176.9	(0.5%)
	398.9	360.5	10.7%
Intercompany eliminations and adjustments	(75.0)	(79.0)	
Total revenue	**323.9**	**281.5**	**15.1%**

Net operating costs

Total Group net operating costs for three months ended 31 March 2011 increased by 3.5%, compared with the three months ended 31 March 2010. 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)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Inmarsat Global	52.4	45.5	15.2%
Inmarsat Solutions	142.8	149.3	(4.4%)
	195.2	194.8	0.2%
Intercompany eliminations and adjustments	(75.4)	(79.0)	
Total net operating costs	**119.8**	**115.8**	**3.5%**

EBITDA

Group EBITDA for the three months ended 31 March 2011 increased by 23.2% compared with the three months ended 31 March 2010. EBITDA margin has increased to 63% for the three months ended 31 March 2011, compared with 59% for the three months ended 31 March 2010, primarily as a result of the inclusion of revenue from our Cooperation Agreement with LightSquared, the expansion of margins in Segovia due to revenue growth and to a lesser extent the inclusion of the results of Segovia from 12 January 2010.

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

(US$ in millions)	Three months ended 31 March 2011	Three months ended 31 March 2010	Increase/ (decrease)
Profit for the period	92.0	59.1	55.7%
Add back:			
Income tax expense	32.8	23.5	39.6%
Net interest payable	19.8	28.7	(31.0%)
Depreciation and amortisation	59.8	54.7	9.3%
Share of results of associates	(0.3)	(0.3)	0.0%
EBITDA	**204.1**	**165.7**	**23.2%**
EBITDA margin %	***63.0%***	***58.9%***	

Depreciation and amortisation

The increase in depreciation and amortisation of US$5.1m for the three months ended 31 March 2011 is partly due to the amortisation of intangible assets recorded in respect of the acquisition of Segovia. The final fair value review in relation to the Segovia acquisition was completed during the second quarter of 2010. In addition we recorded depreciation of assets relating to our Global Satellite Phone Service ("GSPS") in the three months ended 31 March 2011, following commercial launch at the end of June 2010. Partially offsetting the increase is a reduction in depreciation due to the Inmarsat-3 satellites becoming fully depreciated.

Share of results of associates

During the three months ended 31 March 2011, we recorded US$0.3m in respect of earnings from associates, in line with the three months ended 31 March 2010. The earnings from associates arose from equity accounted investments held by Stratos.

Operating profit

As a result of the factors discussed above, operating profit during the three months ended 31 March 2011 was US$144.6m, an increase of US$33.3m, or 30%, compared with the three months ended 31 March 2010.

Interest

Net interest payable for the three months ended 31 March 2011 was US$19.8m, a decrease of US$8.9m, or 31%, compared with the three months ended 31 March 2010.

Interest payable for the three months ended 31 March 2011 was US$20.4m, a decrease of US$11.6m, or 36%, compared with the three months ended 31 March 2010. The majority of the decrease relates to the reduction in intercompany interest payable following the repayment of intercompany loans as part of the Group Reorganisation in June 2010. In addition, interest on Stratos borrowings decreased due to the repayment of Stratos' external funding in May/June 2010.

Interest payable also reflects a credit in relation to the capitalisation of borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use, of US$4.2m in the three months ended 31 March 2011, compared to US$1.4m in the three months ended 31 March 2010.

Interest receivable for the three months ended 31 March 2011 was US$0.6m compared to US$3.3m for the three months ended 31 March 2010. In the three months ended 31 March 2010, we experienced an unrealised foreign exchange gain on the pension and post-retirement scheme liabilities of US$2.6m, due to the movement of the US dollar exchange rate during the period.

Profit before tax

For the three months ended 31 March 2011, profit before tax was US$124.8m, an increase of US$42.2m, or 51% compared with the three months ended 31 March 2010. The increase is due primarily to increased revenues as a result of our Cooperation Agreement with LightSquared and decreased net interest payable during the three months ended 31 March 2011. The increase is partially offset by increased underlying Group operating costs and increased depreciation and amortisation during the three months ended 31 March 2011.

Income tax expense

The tax charge for the three months ended 31 March 2011 was US$32.8m, an increase of US$9.3m, or 40%, compared with the three months ended 31 March 2010. The increase in the tax charge is largely driven by the underlying increase in profits for the three months ended 31 March 2011. The change in the UK main rate of corporation tax from 28% in 2010 to 26% with effect from 1 April 2011 has given rise to a one-off tax credit of US$0.9m on the revaluation of UK deferred tax liabilities at 31 March 2011.

The effective tax rate for the three months ended 31 March 2011 was 26.3% compared to 28.5% for the three months ended 31 March 2010. The decrease in effective tax rate is predominately due to the reduction of the UK main rate of corporation tax from 28% in 2010 to 26% with effect from 1 April 2011. Although the change in tax rate became effective on 1 April 2011, this has the effect of lowering the average UK statutory tax rate for 2011, and therefore the rate upon which the first quarter’s tax charge is based, to 26.5%.

Profit for the period

As a result of the factors discussed above, profit for the three months ended 31 March 2011 was US$92.0m, an increase of US$32.9m, or 56%, compared with the three months ended 31 March 2010.

Inmarsat Global Results

Revenues

During the three months ended 31 March 2011, revenues from Inmarsat Global were US$222.8m, an increase of US$39.2m, or 21%, compared with the three months ended 31 March 2010. MSS revenues declined by US$0.6m, or 0.3%, period on period. Our FleetBroadband and SwiftBroadband services have shown strong growth in revenue during the three months ended 31 March 2011 compared to the same period in 2010. This growth has been more than offset by the decline in revenue from our older services such as Inmarsat B, Mini M, Fleet and GAN, as well as from BGAN, period on period. The table below sets out the components of Inmarsat Global's revenue for each of the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Revenues			
Maritime sector:			
Voice services	24.0	24.2	(0.8%)
Data services	65.0	62.0	4.8%
Total maritime sector	**89.0**	**86.2**	**3.2%**
Land mobile sector:			
Voice services	1.5	2.2	(31.8%)
Data services	38.9	43.0	(9.5%)
Total land mobile sector	**40.4**	**45.2**	**(10.6%)**
Aeronautical sector	23.8	22.8	4.4%
Leasing	27.4	27.0	1.5%
Total MSS revenue	**180.6**	**181.2**	**(0.3%)**
Other income	42.2	2.4	
Total revenue	**222.8**	**183.6**	**21.4%**

Total active terminal numbers as at 31 March 2011 increased by 10.8%, compared with 31 March 2010. The table below sets out the active terminals by sector for each of the periods indicated:

(000's)	As at 31 March 2011	2010	Increase/ (decrease)
Active terminals[(a)]			
Maritime	183.3	173.9	5.4%
Land mobile	98.6	80.6	22.3%
Aeronautical	12.6	11.4	10.5%
Total active terminals	**294.5**	**265.9**	**10.8%**

(a) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 31 March. Active terminals also include the average number of certain SPS terminals active on a daily basis during the period. Active terminals exclude our terminals (Inmarsat D+ and IsatM2M) used to access our Satellite Low Data Rate ("SLDR") or telemetry services. At 31 March 2011, we had 221,053 SLDR terminals.

Maritime Sector. During the three months ended 31 March 2011, revenues from the maritime sector were US$89.0m, an increase of US$2.8m, or 3.2%, compared with the three months ended 31 March 2010.

Revenues from data services in the maritime sector during the three months ended 31 March 2011 were US$65.0m, an increase of US$3.0m, or 4.8%, compared with the three months ended 31 March 2010. The increase in revenues from data services reflects strong growth in our FleetBroadband service. We added 2,880 new FleetBroadband terminals in the three months ended 31 March 2011. We believe that the accelerated adoption of our FleetBroadband service has partially constrained our rate of revenue growth as the price of services using FleetBroadband is typically less than the price of equivalent services on the terminals being replaced or upgraded. However, over time, we expect to offset this effect through usage growth in response to increased service capability and faster speeds available through FleetBroadband. Although a lesser factor, competition from VSAT service offerings has also increased since the announcement of our Global Xpress service. In addition, we believe the ongoing challenging economic and competitive environment for the shipping industry continues to impact our rate of revenue growth.

As expected, revenue from our Inmarsat B service is decreasing due to the natural run-off of this mature service, which will be discontinued on 31 December 2014. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with FleetBroadband terminals. In addition, there was a decrease in revenues from our Fleet, Mini M and Inmarsat C services, as these customers also transition to FleetBroadband.

Revenues from voice services in the maritime sector during the three months ended 31 March 2011 were US$24.0m, a decrease of US$0.2m or 0.8% compared with the three months ended 31 March 2010. Growth in demand for voice services among users of our FleetBroadband service was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services. The decline in revenues from voice services in the maritime sector can be attributed to a combination of factors, including the current economic environment for the shipping industry, the substitution effect of voice usage to email and Voice Over IP and some increased competition. Revenues are also negatively impacted by product mix changes as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower.

Land Mobile Sector. During the three months ended 31 March 2011, revenues from the land mobile sector were US$40.4m, a decrease of US$4.8m, or 10.6%, compared with the three months ended 31 March 2010.

Revenues from data services in the land mobile sector during the three months ended 31 March 2011 were US$38.9m, a decrease of US$4.1m, or 9.5%, compared with the three months ended 31 March 2010. Decline in BGAN and GAN revenue has resulted from reduced traffic levels from government users in Afghanistan and the absence of revenue from Haiti and Chile disaster relief efforts seen in three months ended 31 March 2010. This decline has been partially offset by an increase in BGAN revenues due to events in North Africa and Japan, which is estimated at US$6.9m in the three months ended 31 March 2011.

Revenues from voice services in the land mobile sector during the three months ended 31 March 2011 were US$1.5m, a decrease of US$0.7m, or 32%, compared with the three months ended 31 March 2010. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators. Although we launched our handheld satellite phone, IsatPhone Pro, at the end of June 2010, at this early stage of service introduction there has been no material contribution during the three months ended 31 March 2011. However we are confident that this will contribute to land voice revenue growth in the coming quarters.

Aeronautical Sector**.** During the three months ended 31 March 2011, revenues from the aeronautical sector were US$23.8m, an increase of US$1.0m, or 4.4%, compared with the three months ended 31 March 2010. The increase is a result of strong growth in revenues from our SwiftBroadband service which grew US$2.0m, or 200%, compared to the three months ended 31 March 2010. Our low-speed data services also benefited from increased industry demand. Swift 64 revenues declined period on period due to reduced activity over Afghanistan.

Leasing. During the three months ended 31 March 2011, revenues from leasing were US$27.4m, an increase of US$0.4m, or 1.5%, compared with the three months ended 31 March 2010. The increase is a result of an additional contract for land-based service, and a new Navigation contract with the Federal Aviation Authority, partially offset by the non-renewal of an aeronautical contract and the reduction of a maritime contract, towards the end of 2010.

Other income. Other income for the three months ended 31 March 2011 was US$42.2m, an increase of US$39.8m, compared with the three months ended 31 March 2010. The increase is due to US$36.6m of revenue recorded in respect of the LightSquared Cooperation Agreement and US$3.0m of revenue relating to the sale of IsatPhone Pro terminals and accessories.

Net operating costs

Net operating costs for the three months ended 31 March 2011 increased by 15.2% compared with the three months ended 31 March 2010. The table below sets out the components of Inmarsat Global's net operating costs for each of the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Employee benefit costs	24.3	23.9	1.7%
Network and satellite operations costs	10.8	10.5	2.9%
Other operating costs	20.8	14.6	42.5%
Own work capitalised	(3.5)	(3.5)	–
Net operating costs	**52.4**	**45.5**	**15.2%**

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is U.S. dollars. Approximately 60% of Inmarsat Global's costs are denominated in Pounds Sterling. Inmarsat Global's hedged rate of exchange for 2011 is US$1.51/£1.00 compared to US$1.49/£1.00 in 2010, which does not give rise to a material variance in comparative costs.

Employee benefit costs. Employee benefit costs increased by US$0.4m for the three months ended 31 March 2011 compared to the three months ended 31 March 2010, reflects primarily additional staff costs due to an increase in total full-time equivalent headcount (525 at 31 March 2011 compared to 500 at 31 March 2010).

Network and satellite operations costs. Network and satellite operations costs for the three months ended 31 March 2011 were broadly in line with the three months ended 31 March 2010.

Other operating costs. Other operating costs for the three months ended 31 March 2011 increased by US$6.2m compared to the three months ended 31 March 2010. The increase relates to professional fees incurred in relation to our acquisition of Ship Equip, our Cooperation Agreement with LightSquared and our Global Xpress programme and to higher direct cost of sales resulting from IsatPhone Pro terminal sales. In addition, in the three months ended 31 March 2011 we recorded a foreign exchange translation loss of US$0.7m compared to a foreign exchange translation gain of US$0.4m in the three months ended 31 March 2010.

Own work capitalised. Own work capitalised for the three months ended 31 March 2011 were in line with the three months ended 31 March 2010.

Operating profit

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Total revenue	222.8	183.6	21.4%
Net operating costs	(52.4)	(45.5)	15.2%
EBITDA	**170.4**	**138.1**	**23.4%**
EBITDA margin %	*76.5%*	*75.2%*	
Depreciation and amortisation	(42.4)	(41.2)	2.9%
Operating profit	**128.0**	**96.9**	**32.1%**

The increase in operating profit for the three months ended 31 March 2011 of US$31.1m, compared to the three months ended 31 March 2010, is a result of higher revenues, partially offset by higher net operating costs and higher depreciation and amortisation.

Inmarsat Solutions Results

On 12 January 2010, we acquired the business assets of Segovia. As a result of a Group Reorganisation completed in June 2010 and the acquisition of Segovia, we now include the Stratos and Segovia businesses in a single reporting segment, Inmarsat Solutions. We previously used the name Stratos to describe this reporting segment.

Revenues

During the three months ended 31 March 2011, revenues from Inmarsat Solutions decreased by 0.5%, compared with the three months ended 31 March 2010. The table below sets out the components of Inmarsat Solutions' revenues for each of the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Inmarsat MSS	108.3	108.8	(0.5%)
Broadband and Other MSS[(a)]	67.8	68.1	(0.4%)
Total revenue	**176.1**	**176.9**	**(0.5%)**

(a) Includes Segovia from 12 January 2010.

Inmarsat MSS. Revenues derived from Inmarsat MSS for the three months ended 31 March 2011 decreased by US$0.5m, or 0.5%, compared with the three months ended 31 March 2010. The decrease is primarily due to decreases in revenues from the land mobile sector and leasing revenue, partially offset by increases in the aeronautical and maritime sectors. Growth has been driven by increased revenues from Inmarsat's broadband services and increased Swift 64 revenue, which was more than offset by decreases in revenues from Inmarsat's older services. Competitive pricing, as a result of the market entry of new Inmarsat distributors, continued to negatively impact revenues from Inmarsat broadband services.

For the three months ended 31 March 2011, Stratos' share of Inmarsat Global's MSS revenues was 40%, in line with the three months ended 31 March 2010.

Broadband and Other MSS. During the three months ended 31 March 2011, Stratos reorganised its operations to include its former Broadband business into the same structure as its MSS operations. As a result, the former Broadband revenue has been combined in the category 'Broadband and Other MSS' revenues. This primarily consists of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Also included within 'Broadband and Other MSS' are revenues from Segovia, which provides secure IP managed solutions and services to United States government agencies and other commercial customers.

Revenues from 'Broadband and Other MSS' during the three months ended 31 March 2011 decreased by US$0.3m, or 0.4%, compared with the three months ended 31 March 2010. The decrease is primarily due to a reduction in network services provided to other Inmarsat distributors and decreased sales of mobile terminals and equipment. The decrease is offset in part by increased revenues primarily from network services and mobile satellite services in our Segovia business, as well as the additional days for Segovia in the three months ended 31 March 2011 compared to the same period in 2010.

Net operating costs

Net operating costs in the three months ended 31 March 2011 decreased by US$6.5m, or 4.4%, compared with the three months ended 31 March 2010, primarily as a result of decreased cost of goods and services. The table below sets out the components of Inmarsat Solutions' net operating costs and shows the allocation of costs to the Group's cost categories for each of the years indicated:

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Cost of goods and services	124.8	130.6	(4.4%)
Operating costs	18.0	18.7	(3.7%)
Total operating costs	**142.8**	**149.3**	**(4.4%)**
Allocated as follows:			
Employee benefit costs	22.6	23.2	(2.6%)
Network and satellite operations costs[(a)]	115.6	121.3	(4.7%)
Other operating costs	5.7	5.6	1.8%
Own work capitalised	(1.1)	(0.8)	37.5%
Net operating costs	**142.8**	**149.3**	**(4.4%)**

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

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

Cost of goods and services during the three months ended 31 March 2011 decreased by US$5.8m, compared with the three months ended 31 March 2010. The decrease is predominantly due to a reduction of costs related to the sales of mobile terminals and equipment and network services provided to other Inmarsat distributors. These revenues have very low gross margins and the reduction in these revenues results in significant reductions in the related cost of sales. This decrease is partially offset by higher network infrastructure operating costs resulting primarily from higher salary costs and exchange rates and the additional costs in Segovia due to the increase in number of days in 2011 compared to 2010.

Operating costs. Operating costs during the three months ended 31 March 2011 decreased by US$0.7m, compared with the three months ended 31 March 2010. The decrease is primarily due to a decrease in salaries and benefits costs due to reduced incentive plan costs, partially offset by an increase in Segovia operating costs as a result of the growth in business and increase in number of days reported compared to 2010.

Operating profit

(US$ in millions)	Three months ended 31 March 2011	2010	Increase/ (decrease)
Total revenue	176.1	176.9	(0.5%)
Cost of goods and services	(124.8)	(130.6)	(4.4%)
Gross margin	**51.3**	**46.3**	**10.8%**
Gross margin %	*29.1%*	*26.2%*	
Operating costs	(18.0)	(18.7)	(3.7%)
EBITDA	**33.3**	**27.6**	**20.7%**
EBITDA margin %	*18.9%*	*15.6%*	
Depreciation and amortisation	(17.4)	(13.5)	28.9%
Share of results of associates	0.3	0.3	0.0%
Operating profit	**16.2**	**14.4**	**12.5%**

Inmarsat Solutions' operating profit for the three months ended 31 March 2011 increased by US$1.8m, compared with the three months ended 31 March 2010, primarily as a result of decreased cost of goods and services and operating costs, partially offset by increased depreciation. Depreciation has increased primarily as a result of the amortisation of intangible assets recorded in respect of the acquisition of Segovia. The final fair value review in relation to the Segovia acquisition was completed in the second quarter of 2010.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for 2011 increased primarily as a result of changes in product mix. Changes in product mix include the decreased sales of equipment and network services provided to other Inmarsat distributors, which have a lower gross margin, and an increase in Segovia revenues which have a higher gross margin. This is partially offset by migration by customers to lower margin services such as BGAN and FleetBroadband.

Group liquidity and capital resources

At 31 March 2011, the Group had cash and cash equivalents of US$490.2m and available but undrawn borrowing facilities of US$300.0m under our Senior Credit Facility. We are operating well within the financial covenant limitations of our Senior Credit Facility and EIB Facility. As a result, we believe our liquidity position is more than sufficient to meet the Group's needs for the next twelve months. In addition, among satellite companies, the Group has historically maintained one of the lowest levels of debt leverage, as measured by the ratio of Net Borrowings to EBITDA. As a result of this prudent approach we remain well-positioned to access the capital markets when needed to meet our financing needs.

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

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

(US$ in millions)	As at 31 March 2011	As at 31 December 2010
Senior Credit Facility	200.0	200.0
EIB Facility	308.4	308.4
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.0)	(4.2)
Intercompany loan	331.5	331.4
Deferred satellite payments	39.0	40.8
Bank overdrafts	0.1	0.7
Total borrowings	**1,525.0**	**1,527.1**
Cash and cash equivalents	(490.2)	(323.1)
Net Borrowings (gross of deferred finance costs)	**1,034.8**	**1,204.0**

The table below shows the condensed consolidated cash flow for the Group for the periods indicated:

(US$ in millions)	Three months ended 31 March 2011	2010
Net cash from operating activities	227.9	157.0
Net cash used in investing activities excluding capital expenditure	(18.4)	(113.6)
Capital expenditure, including own work capitalised	(34.6)	(31.7)
Dividends paid	–	(100.7)
Net cash (used in)/from financing activities, excluding dividends paid	(6.9)	156.8
Foreign exchange adjustment	(0.3)	(1.2)
Net increase in cash and cash equivalents, including bank overdrafts	**167.7**	**66.6**

The increase in net cash generated from operating activities in the three months ended 31 March 2011, compared to the three months ended 31 March 2010, of US$70.9m primarily relates to US$88.8m received from LightSquared in the three months ended 31 March 2011 in respect of our Cooperation Agreement and higher EBITDA, offset by movements in working capital in the three months ended 31 March 2011.

The decrease in net cash used in investing activities excluding capital expenditure in the three months ended 31 March 2011, compared to the three months ended 31 March 2010, of US$95.2m primarily relates to the acquisition of Segovia for an initial cash consideration of US$110.0m (including transaction fees) in the three months ended 31 March 2010. In the three months ended 31 March 2011 we paid US$12.3m of deferred consideration in respect of our acquisition of Segovia.

Capital expenditure, including own work capitalised, increased by US$2.9m in the three months ended 31 March 2011, compared to in the three months ended 31 March 2010. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Inmarsat Solutions' cash outflow in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software, was US$8.7m for the three months ended 31 March 2011 (three months ended 31 March 2010: US$4.2m).

Net cash used in financing activities in the three months ended 31 March 2011 was US$6.9m compared to cash from financing activities of US$156.8m in the three months ended 31 March 2010. During the three months ended 31 March 2011, the Group paid cash interest of US$6.7m. During the three months ended 31 March 2010, the Group drew down US$100.0m principal of the Senior Credit Facility, received US$99.7m intercompany funding, repaid US$2.3m principal of the Stratos Senior Credit Facility, paid cash interest of US$16.2m and purchased US$24.4m principal amount of its own debt securities.

Group free cash flow

(US$ in millions)	Three months ended 31 March 2011	2010
Cash generated from operations	243.3	164.3
Capital expenditure, including own work capitalised	(34.6)	(31.7)
Net cash interest paid	(5.8)	(16.0)
Cash tax paid	(16.3)	(7.5)
Free cash flow	**186.6**	**109.1**

Free cash flow increased by US$77.5m, or 71%, during the three months ended 31 March 2011, compared to the three months ended 31 March 2010. The increase is due to an increase in EBITDA as a result of higher revenues and a favourable movement in working capital due mainly to the amounts received from LightSquared in respect of our Cooperation Agreement with them. In addition we experienced reduced cash interest paid, offset in part by increased cash tax paid and capital expenditure.

Recent Events

Subsequent to 31 March 2011, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated financial results of the Group.

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
(unaudited)

(US$ in millions)	Three months ended 31 March 2011	Three months ended 31 March 2010
Revenues	**323.9**	**281.5**
Employee benefit costs	(46.8)	(47.1)
Network and satellite operations costs	(51.3)	(53.4)
Other operating costs	(26.3)	(19.5)
Own work capitalised	4.6	4.2
Total net operating costs	**(119.8)**	**(115.8)**
EBITDA	**204.1**	**165.7**
Depreciation and amortisation	(59.8)	(54.7)
Share of results of associates	0.3	0.3
Operating profit	**144.6**	**111.3**
Interest receivable and similar income	0.6	3.3
Interest payable and similar charges	(20.4)	(32.0)
Net interest payable	(19.8)	(28.7)
Profit before income tax	**124.8**	**82.6**
Income tax expense	(32.8)	(23.5)
Profit for the period	**92.0**	**59.1**
Attributable to:		
Equity holders	**92.0**	**59.0**
Non-controlling interest	–	**0.1**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(US$ in millions)	Three months ended 31 March 2011	Three months ended 31 March 2010
Profit for the period	**92.0**	**59.1**
Other comprehensive income		
Net gains/(losses) on cash flow hedges	13.6	(13.6)
Tax (charged)/credited directly to equity	(2.4)	4.4
Other comprehensive income for the period, net of tax	**11.2**	**(9.2)**
Total comprehensive income for the period, net of tax	**103.2**	**49.9**
Attributable to:		
Equity holders	**103.2**	**49.8**
Non-controlling interest	–	**0.1**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(US$ in millions)	As at 31 March 2011	As at 31 December 2010
Assets		
Non-current assets		
Property, plant and equipment	1,378.7	1,355.7
Intangible assets	1,117.5	1,127.2
Investments	30.9	30.8
Other receivables	6.4	5.2
Derivative financial instruments	6.0	6.9
	2,539.5	**2,525.8**
Current assets		
Cash and cash equivalents	490.2	323.1
Trade and other receivables	289.2	268.2
Inventories	21.4	20.2
Derivative financial instruments	18.7	7.4
	819.5	**618.9**
Total assets	**3,359.0**	**3,144.7**
Liabilities		
Current liabilities		
Borrowings	58.0	59.0
Trade and other payables	460.1	349.8
Provisions	0.4	0.4
Current income tax liabilities	69.0	51.0
Derivative financial instruments	11.3	12.9
	598.8	**473.1**
Non-current liabilities		
Borrowings	1,449.1	1,448.6
Other payables	40.6	58.3
Provisions	44.3	42.5
Deferred income tax liabilities	87.4	86.5
Derivative financial instruments	11.1	13.6
	1,632.5	**1,649.5**
Total liabilities	**2,231.3**	**2,122.6**
Net assets	**1,127.7**	**1,022.1**
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.4	677.4
Other reserves	44.3	30.7
Retained earnings	404.9	312.9
Equity attributable to shareholders of the parent	1,127.0	1,021.4
Non-controlling interest	0.7	0.7
Total equity	**1,127.7**	**1,022.1**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)

(US$ in millions)	Ordinary share capital	Share premium account	Share Option reserve	Revaluation reserve	Cash flow hedge reserve	Capital contribution reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2010	**0.4**	**346.3**	**26.3**	**0.6**	**(2.6)**	**2.1**	**197.9**	**0.5**	**571.5**
Net fair value losses – cash flow hedges	–	–	–	–	(13.6)	–	–	–	(13.6)
Share options charge	–	–	2.2	–	–	–	–	–	2.2
Profit for the period	–	–	–	–	–	–	59.0	0.1	59.1
Dividends paid	–	–	–	–	–	–	(100.7)	–	(100.7)
Tax credited/(charged) directly to equity	–	–	–	–	4.1	–	0.3	–	4.4
Balance as at 31 March 2010	**0.4**	**346.3**	**28.5**	**0.6**	**(12.1)**	**2.1**	**156.5**	**0.6**	**522.9**
Balance as at 1 January 2011	**0.4**	**677.4**	**35.5**	**0.6**	**(7.5)**	**2.1**	**312.9**	**0.7**	**1,022.1**
Net fair value gains - cash flow hedges	–	–	–	–	13.6	–	–	–	13.6
Share options charge	–	–	2.4	–	–	–	–	–	2.4
Profit for the period	–	–	–	–	–	–	92.0	–	92.0
Tax charged directly to equity	–	–	–	–	(2.4)	–	–	–	(2.4)
Balance at 31 March 2011	**0.4**	**677.4**	**37.9**	**0.6**	**3.7**	**2.1**	**404.9**	**0.7**	**1,127.7**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US$ in millions)	Three months ended 31 March 2011	2010
Cash flow from operating activities		
Cash generated from operations	243.3	164.3
Interest received	0.9	0.2
Income taxes paid	(16.3)	(7.5)
Net cash from operating activities	**227.9**	**157.0**
Cash flow from investing activities		
Purchase of property, plant and equipment	(23.7)	(19.2)
Additions to capitalised development costs, including software	(4.7)	(7.5)
Own work capitalised	(6.2)	(5.0)
Proceeds from disposal of assets	0.1	–
Acquisition of subsidiaries and other investments	(18.5)	(113.6)
Net cash used in investing activities	**(53.0)**	**(145.3)**
Cash flow from financing activities		
Dividends paid	–	(100.7)
Drawdown of Senior Credit Facility	–	100.0
Repayment of the Stratos Senior Credit Facility	–	(2.3)
Arrangement costs of new borrowing facilities	(0.2)	–
Purchase of own debt securities, including discount	–	(24.4)
Interest paid on borrowings	(6.7)	(16.2)
Intercompany funding	–	99.7
Net cash (used in)/generated from financing activities	**(6.9)**	**56.1**
Foreign exchange adjustment	(0.3)	(1.2)
Net increase in cash and cash equivalents	**167.7**	**66.6**
Movement in cash and cash equivalents		
At beginning of year	322.4	225.8
Net increase in cash and cash equivalents	167.7	66.6
As reported on balance sheet (net of bank overdrafts)	**490.1**	**292.4**
At end of year, comprising		
Cash at bank and in hand	37.4	103.5
Short-term deposits with original maturity of less than 3 months	452.8	190.8
Bank overdrafts	(0.1)	(1.9)
	490.1	**292.4**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

These unaudited condensed consolidated financial results were approved for issue by the Board of Directors on 9 May 2011.

The financial information for the year ended 31 December 2010 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditors’ 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 Group results for the three months ended 31 March 2011 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 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 2010, and which are available on our website at www.inmarsat.com. Except as described below, the unaudited condensed consolidated financial statements are based upon accounting policies and methods consistent with those used and described in the Group’s annual consolidated financial statements prepared under IFRS, set out on pages 6 to 60. Operating results for the period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. The consolidated balance sheet as at 31 December 2010 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

- Taxes are accrued based on management’s estimated annual effective income tax rate applied to the Group’s interim pre-tax income.
- 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:
    - IAS 24 (as revised) – Related Party Disclosures – Revised Definition of related parties (effective for financial years beginning on or after 1 January 2011).
    - IFRIC 14 (as amended) – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011).
    - IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).
    - Amendments resulting from the May 2010 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2011, except for IFRS 3 and IAS 27 which are effective for financial years beginning on or after 1 July 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 Company and the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat Group Limited 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 U.S. dollar, as the majority of operational transactions and borrowings are denominated in U.S. dollars.

Basis of accounting
The preparation of the condensed consolidated 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 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 Group Limited.

Accounting for internal reorganisations is outside the scope of IFRS 3, 'Business Combinations' and IFRS does not contain additional guidance. Therefore, in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the Group is entitled to consider the pronouncements of other standard setting bodies, such as UK GAAP.
Therefore, we have accounted for the Group Reorganisation using merger accounting principles. The key features of this accounting are:

- the carrying value of the assets and liabilities "acquired" by the Group are not adjusted to fair values on consolidation;
- any difference between the value of consideration provided and net assets acquired is not recognised as goodwill, but is adjusted against reserves;
- the premium above nominal value for any shares issued is recognised as a group reconstruction reserve rather than as share premium;
- the results and cash flows of all the combining entities are recognised in the consolidated financial statements from the beginning of the financial period in which the combination occurred; and
- the corresponding prior year figures are restated as if Inmarsat Group Limited had always been the parent undertaking of the new group of companies.

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 is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

The Group's reportable segments are therefore as follows:

- Inmarsat Global – principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate;
- Inmarsat Solutions – 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.

Segment information:

	Three months ended 31 March 2011				
(US$ in millions)	**Inmarsat Global**	**Inmarsat Solutions**	**Unallocated**	**Eliminations**	**Total**
Revenue					
External sales	149.5	174.4	–	–	323.9
Inter-segment	73.3	1.7	–	(75.0)	–
Total revenue	**222.8**	**176.1**	**–**	**(75.0)**	**323.9**
Segment result (operating profit)	128.0	16.2	–	0.4	144.6
Net interest charged to the Income Statement	–	–	(19.8)	–	(19.8)
Profit before income tax					**124.8**
Income tax expense	–	–	–	–	(32.8)
Profit for the period					**92.0**
Segment assets	2,381.3	917.7	497.5	(437.5)	3,359.0
Segment liabilities	(471.1)	(165.1)	(1,667.2)	72.1	(2,231.3)
Investment (included in segment assets)[(a)]	23.5	–	–	–	23.5
Capital expenditure[(b)]	(66.3)	(6.9)	–	–	(73.2)
Depreciation	(36.2)	(7.5)	–	–	(43.7)
Amortisation of intangible assets	(6.2)	(9.9)	–	–	(16.1)

(a) Relates to 19% stake in SkyWave.
(b) Capital expenditure stated using accruals basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

	Three months ended 31 March 2010				
(US$ in millions)	Inmarsat Global	Inmarsat Solutions[a]	Unallocated	Eliminations	Total
Revenue					
External sales	105.7	175.8	–	–	281.5
Inter-segment	77.9	1.1	–	(79.0)	–
Total revenue	**183.6**	**176.9**	**–**	**(79.0)**	**281.5**
Segment result (operating profit)	96.9	14.4	–	–	111.3
Net interest charged to the Income Statement	–	–	(28.7)	–	(28.7)
Profit before income tax					**82.6**
Income tax expense	–	–	–	–	(23.5)
Profit for the period					**59.1**
Segment assets	2,009.1	948.2	327.4	(133.9)	3,150.8
Segment liabilities	(366.9)	(192.1)	(2,157.3)	88.4	(2,627.9)
Investment (included in segment assets)[b]	23.5	–	–	–	23.5
Capital expenditure[c]	(27.0)	(4.4)	–	–	(31.4)
Depreciation	(35.8)	(5.8)	–	–	(41.6)
Amortisation of intangible assets	(5.4)	(7.7)	–	–	(13.1)

(a) Includes Segovia from 12 January 2010.
(b) Relates to 19% stake in SkyWave.
(c) Capital expenditure stated using accruals basis.

5. Net interest payable

	Three months ended 31 March	
(US$ in millions)	2011	2010
Interest on Senior Notes and credit facilities	(15.8)	(14.7)
Interest rate swaps	(3.4)	(3.4)
Pension and post-retirement liability finance costs	(1.3)	–
Unwinding of discount on deferred satellite liabilities	(0.7)	(0.7)
Amortisation of debt issue costs	(1.7)	(1.6)
Amortisation of discount on Senior Notes due 2017	(0.2)	(0.2)
Interest on Stratos borrowings	–	(4.0)
Premium on purchase of Stratos Senior Unsecured Notes	–	(1.4)
Intercompany interest	(0.1)	(6.3)
Unwinding of discount on Segovia deferred consideration	(1.4)	(0.7)
Other interest	–	(0.4)
Interest payable and similar charges	(24.6)	(33.4)
Less: Amounts included in the cost of qualifying assets	4.2	1.4
Total interest payable and similar charges	**(20.4)**	**(32.0)**
Bank interest receivable and other interest	0.6	0.7
Pension and post-retirement liability finance gains	–	2.6
Total interest receivable and similar income	**0.6**	**3.3**
Net interest payable	**(19.8)**	**(28.7)**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

6. Net borrowings

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

(US$ in millions)	As at 31 March 2011 Amount	Deferred finance cost	Net balance	As at 31 December 2010 Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	0.1	–	0.1	0.7	–	0.7
Deferred satellite payments	7.9	–	7.9	8.3	–	8.3
Senior Credit Facility(a)	50.0	–	50.0	50.0	–	50.0
Total current borrowings	**58.0**	**–**	**58.0**	**59.0**	**–**	**59.0**
Non-current:						
Senior Credit Facility(a)	150.0	(5.0)	145.0	150.0	(6.1)	143.9
Senior Notes due 2017(b)	650.0	(10.4)	639.6	650.0	(10.8)	639.2
—Issuance discount	(4.0)	–	(4.0)	(4.2)	–	(4.2)
EIB Facility(c)	308.4	(2.5)	305.9	308.4	(2.6)	305.8
Deferred satellite payments	31.1	–	31.1	32.5	–	32.5
Subordinated Parent Company Loan(d)	325.7	–	325.7	325.7	–	325.7
Intercompany loan	5.8	–	5.8	5.7	–	5.7
Total non-current borrowings	**1,467.0**	**(17.9)**	**1,449.1**	**1,468.1**	**(19.5)**	**1,448.6**
Total Borrowings	**1,525.0**	**(17.9)**	**1,507.1**	**1,527.1**	**(19.5)**	**1,507.6**
Cash and cash equivalents	(490.2)	–	(490.2)	(323.1)	–	(323.1)
Net Borrowings	**1,034.8**	**(17.9)**	**1,016.9**	**1,204.0**	**(19.5)**	**1,184.5**

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

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

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

(d) The Subordinated Parent Company Loan arises from historical financing of the group from the immediate parent company, Inmarsat Holdings Limited. The loan is contractually and structurally subordinated to all of the other indebtedness of the Group and has no fixed maturity and may be repaid at any time at the Company's option. No interest is charged on the Subordinated Parent Company Loan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

7. Events after the balance sheet date

On 25 April 2011, we agreed with LightSquared to make certain amendments to the Cooperation Agreement. In connection with the agreed amendments, we received a payment of US$40.0m on 29 April 2011 and expect to incur certain additional costs in the future which we do not expect to exceed the payment received. We are currently considering the accounting treatment of the payment arising from the agreed amendment and expect to comment on this in future results reports.

On 28 April 2011, we completed the acquisition of Ship Equip International A.S. ("Ship Equip") for a total consideration of US$159.5m. Based in Ålesund, Norway, Ship Equip is a leading provider of VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets. Ship Equip's expertise in developing and deploying VSAT communications solutions to key verticals in the maritime market, coupled with its worldwide committed capacity arrangements and installed base of over 850 vessels (as at December 2010), have made it a leader in the evolving VSAT maritime communications market. In 2010 Ship Equip generated revenues of US$56m (NOK312m).

Ship Equip has been acquired by Inmarsat Solutions Limited and will operate as a separate subsidiary alongside the Stratos and Segovia businesses. Due to the close proximity of the acquisition to the date of this report, the initial accounting for the business combination is currently incomplete. We anticipate that this will be completed in the second and third quarters of this year and we will provide the disclosures required by IFRS 3 (2008) at that time.

On 6 May 2011, the Directors approved a final dividend in respect of 2010 of US$104.3m, to be paid to Inmarsat Holdings Limited (the parent company). Inmarsat plc intends to use the proceeds of the dividend it receives principally to fund a previously announced dividend to holders of its ordinary shares.

Subsequent to 31 March 2011, 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.