

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL RESULTS

**For the three and six months ended
30 June 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 and share of results of associates. 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 30 June 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), comprising Stratos, Segovia and Ship Equip International A.S ("Ship Equip") 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 30 June 2011 were US\$359.0m (2010: US\$289.2m), EBITDA was US\$222.7m (2010: US\$168.6m) and operating profit was US\$162.7m (2010: US\$108.7m). 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 Ship Equip

On 28 April 2011, we acquired the entire share capital of Ship Equip for a cash consideration of US\$113.2m (net of cash acquired and after hedging the foreign exchange risk).

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 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.

We believe 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 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.

Ship Equip was acquired by Inmarsat Solutions Limited and operates as a separate subsidiary alongside the Stratos and Segovia businesses. Inmarsat financed the acquisition from available liquidity.

Global Xpress Programme

Global Xpress™, our major new US\$1.2 billion investment project is progressing well, with initial deployment and global service on track for 2013 and 2014. Global Xpress will be supported by a global network of three Ka-band satellites, the Inmarsat-5 generation, currently being built by Boeing. Global Xpress will offer seamless global coverage and deliver unprecedented mobile broadband speeds of up to 50MB/s for users in the government, maritime, enterprise, energy and aeronautical sectors.

On 29 July 2011, we signed a contract with ILS International Launch Services, Inc. ("ILS") to provide launch services for the three Inmarsat-5 satellites. The launches, scheduled for 2013-2014, will use ILS's Proton launch vehicle from the Baikonur Cosmodrome in Kazakhstan.

LightSquared Cooperation Agreement

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 will be accounting for this payment using the percentage of completion method. During 2011, we currently expect to recognise US\$10.0m to US\$15.0m of revenue and a similar amount in operating costs in relation to this payment. We have not recorded any such revenue or costs in the period ended 30 June 2011.

To date, LightSquared has made payments totalling US\$232.5m under Phase 1 of the Cooperation Agreement. We are 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\$31.1m of revenue and US\$4.2m of external operating costs during the three months ended 30 June 2011. During the half year ended 30 June 2011 we have recognised US\$47.5m of revenue and US\$5.9m of external operating costs in relation to Phase 1.

To date LightSquared has made payments totalling US\$77.8m under Phase 2 of the Cooperation Agreement. During 2011, we currently expect to recognise US\$107.0m of revenue in relation to Phase 2, of which we have recognised US\$28.8m during the three months ended 30 June 2011. During the half year ended 30 June 2011 we have recognised US\$48.9m of revenue in relation to Phase 2.

Inmarsat Global Services

On 27 May 2011, we announced the development of a multi-channel voice capability for FleetBroadband that will offer additional telephone lines to support up to 9 simultaneous voice calls through a single FleetBroadband terminal. This service enhancement will work on existing FleetBroadband terminals and will be introduced in Q4 2011.

In addition, we also released details of two other voice initiatives: a new reduced US\$0.55 per minute suggested retail price for voice calls on FleetBroadband, and the introduction of our new FleetPhone service. FleetPhone is a new entry-level voice service, developed specifically for the marine environment, which we expect to become commercially available during Q3 2011. Inmarsat has partnered with Beam Communications - designer and manufacturer of its IsatPhone Pro docking units - to produce the new FleetPhone hardware.

On 25 July 2011, TAM Airlines, Brazil's leading airline, announced plans to extend OnAir's Inmarsat-supported passenger connectivity services, which are based on SwiftBroadband, across their entire fleet of 80 aircraft. Installation of 31 short-haul planes has already started, with OnAir connectivity gradually coming into service by the beginning of next year, and with the long-haul service being rolled-out from the second half of 2012. This follows nine highly successful months using OnAir's passenger connectivity services, in which passengers have

enjoyed the chance to make phone calls, send and receive text messages and emails, and access the Internet on selected TAM short-haul flights.

On 29 July 2011, we introduced a new voice distress service on FleetBroadband. The free-to-use service, which provides a 'red button' for one-touch easy use, ensures that all non-priority telephone calls underway on the vessel's FleetBroadband are interrupted, connecting the vessel directly to a Maritime Rescue Coordination Centre ("MRCC"). Simultaneously, an email is sent to the MRCC and network controllers to alert them to a call, providing additional data such as vessel name, identification and position.

We are today also announcing, in conjunction with our partner SkyWave, the launch of a new low data rate tracking, monitoring and messaging service, called IsatData Pro. IsatData Pro will deliver a significant increase in capability over other services already in the market. 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.

Inmarsat Solutions Services

On 22 February 2011, Segovia was awarded NATO's Communication Information Services ("CIS") Consultant Support Services indefinite delivery, indefinite quantity ("IDIQ") contract to provide professional and technical services support to the International Security Assistance Force ("ISAF") in Afghanistan. The contract has a four-year period of performance if all option years are exercised. Segovia was also awarded the first task order under the contract – a multi-million dollar contract to deploy full-time communication and information services support to NATO operations in Kandahar, Afghanistan.

Stratos has recently been successful in winning contracts to deploy FleetBroadband services across a number of major shipping fleets. This includes FBBPlus, under a five-year contract, on approximately 40 vessels for Hapag-Lloyd, FleetBroadband on The Shipping Corporation of India Ltd's. fleet of 156 ships, which includes tankers, bulk carriers, liners and supply vessels and FleetBroadband on 55 commercial vessels for Harren & Partner Ship Management GmbH & Co. KG. In addition to FleetBroadband services, the contracts include the deployment of other value-added services provided by Stratos, such as AmosConnect and the Stratos Advantage suite of services.

On 21 July 2011, Stratos announced that it had purchased most of the operational assets of Blue Ocean Wireless Ltd. ("BOW"). These assets are used to provide shipboard GSM services that enable crewmembers to use their personal GSM phones to communicate with family and friends by voice and SMS. As part of the acquisition, Stratos assumes responsibility for providing services to most of BOW's customers, including many large commercial shipping companies worldwide. Stratos will continue to market and sell BOW's services to existing and new customers, under the new brand 'GSM Oceanwide'.

In July 2011, Stratos completed the deployment of its StratosMAX II broadband service for W&T Offshore, Inc ("W&T") at 29 sites in the Gulf of Mexico. W&T is an independent oil and gas company based in Houston. The WiMAX-based StratosMAX II provides reliable voice communications, high-speed (up to 10Mbps) Internet connectivity, Stratos HotSpot WiFi service and a wide range of mobile applications. In addition, Stratos is providing W&T with an auto-failover VSAT service to ensure 100% service continuity to those StratosMAX II sites.

Financing

On 11 May 2011, we signed a 12.5-year US\$700.0m direct financing agreement with the Export-Import Bank of the United States ("Ex-Im Bank Facility") to fund the build of the Inmarsat-5 satellites and certain other related capital expenditure. The facility has a total availability period of 4 years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the

loan. As at 30 June 2011, we had total drawings of US\$88.0m under the Ex-Im Bank Facility.

On 30 June 2011, we refinanced our previous US\$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new 5-year US\$750.0m Senior Credit Facility. Under the terms of the new facility the full US\$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the 5-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The new facility has been provided by a group of 12 commercial banks.

Simultaneously with the signing of the new Senior Credit Facility, we prepaid and cancelled the previous US\$500.0m Senior Credit Facility. The amount outstanding on the previous facility at that date was US\$200.0m and this was funded from available cash. As a result, as at 30 June 2011 there were no drawings on the new Senior Credit Facility.

Both the Ex-Im Bank Facility and the new Senior Credit Facility rank as senior secured creditors of Inmarsat Investments Limited, *pari passu* with our EIB Facility and ahead of our 7.375% Senior Notes due 2017. Inmarsat Investments Limited is a direct subsidiary of Inmarsat Group Limited and an indirect subsidiary of Inmarsat plc.

New Chief Executive Officer

On 6 July 2011, we announced that with effect from 1 January 2012, Rupert Pearce will become the new Chief Executive Officer. Andrew Sukawaty will move from his current role as Chairman and Chief Executive Officer and become Executive Chairman.

Rupert Pearce, who currently serves as Senior Vice President of Inmarsat Enterprises and Inmarsat's Group General Counsel, has been with Inmarsat for six years. In this time he has been instrumental in shaping the strategic direction of Inmarsat, including the acquisition of our largest distributor, Stratos; formulating and executing the business plan for Global Xpress services and the Inmarsat-5 satellite constellation; as well as the creation and negotiation of the Cooperation Agreement with LightSquared on use of Inmarsat's spectrum over North America.

Andrew Sukawaty has agreed to continue to be involved in the business as Executive Chairman for not less than two years and will continue in his current role until 31 December 2011.

Share repurchase programme

Our ultimate parent company, Inmarsat plc, today announced that, with immediate effect, it intends to make on-market purchases of its ordinary shares. This announcement follows a review of the Group's capital position in light of the ongoing strength in the generation of Free Cash Flow, the level of the Group's ratio of net debt to EBITDA, and the clearly defined profile of our current investment programmes. The Group has made no changes to its existing prudent capital policy and expects to remain fully-funded as to all existing capital needs throughout the repurchase programme implementation. Accordingly, Inmarsat plc intends to commence a repurchase programme of up to US\$250.0m, to be implemented over the next 12 months.

Any purchases made under the programme will be effected within Inmarsat plc's existing authority to purchase its ordinary shares of €0.0005 each, as approved by shareholders at the AGM on 3 May 2011, and certain other pre-set parameters. The maximum price which may be paid for such ordinary shares is 5% above the average of the middle market quotations of such ordinary shares derived from the London Stock Exchange Daily Official List for the five business days before the day the purchase is made.

The timing and quantum of any purchases will be determined by Inmarsat in accordance with the above parameters and in consultation with Inmarsat plc's brokers with regard to prevailing

market conditions and any other relevant considerations. Any purchases will be funded out of available liquidity and any repurchased shares will be cancelled.

Dividends

The Board approved an interim dividend for the 2011 financial year of US\$100.0m to Inmarsat Holdings Limited on 28 July 2011. The Board intends to declare and pay a further interim dividend for the 2011 financial year of US\$71.1m to Inmarsat Holdings Limited on 27 October 2011. These dividends have not been recognised as a liability as at 30 June 2011.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat Group Limited for the three months ended 30 June 2011. We report two operating segments, Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment, in addition to Stratos, includes Segovia and Ship Equip, which were acquired on 12 January 2010 and 28 April 2011 respectively. The table below sets out the results of the Group for the periods indicated:

(US\$ in millions)	Three months ended 30 June		Increase/ (decrease) %	Six months ended 30 June		Increase/ (decrease) %
	2011	2010		2011	2010	
Revenue	359.0	289.2	24.1%	682.9	570.7	19.7%
Employee benefit costs	(50.1)	(44.9)	11.6%	(96.9)	(92.0)	5.3%
Network and satellite operations costs	(57.7)	(56.0)	3.0%	(109.0)	(109.4)	(0.4%)
Other operating costs	(33.2)	(23.7)	40.1%	(59.5)	(43.2)	37.7%
Own work capitalised	4.7	4.0	17.5%	9.3	8.2	13.4%
Total net operating costs	(136.3)	(120.6)	13.0%	(256.1)	(236.4)	8.3%
EBITDA	222.7	168.6	32.1%	426.8	334.3	27.7%
Depreciation and amortisation	(60.4)	(60.2)	0.3%	(120.2)	(114.9)	4.6%
Share of results of associates	0.4	0.3	33.3%	0.7	0.6	16.7%
Operating profit	162.7	108.7	49.7%	307.3	220.0	39.7%
Interest receivable and similar income	3.6	1.4	(157.1%)	4.2	4.7	(10.6%)
Interest payable and similar charges	(22.1)	(39.2)	(43.6%)	(42.5)	(71.2)	(40.3%)
Net interest payable	(18.5)	(37.8)	(51.1%)	(38.3)	(66.5)	(42.4%)
Profit before income tax	144.2	70.9	103.4%	269.0	153.5	75.2%
Income tax expense	(34.4)	(21.9)	57.1%	(67.2)	(45.4)	48.0%
Profit for the period	109.8	49.0	124.1%	201.8	108.1	86.7%

Revenues

Total Group revenues for the three months ended 30 June 2011 increased by 24% compared with the three months ended 30 June 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 30 June		Increase %	Six months ended 30 June		Increase %
	2011	2010		2011	2010	
Inmarsat Global	249.8	184.2	35.6%	472.6	367.8	28.5%
Inmarsat Solutions	188.6	178.9	5.4%	364.7	355.8	2.5%
	438.4	363.1	20.7%	837.3	723.6	15.7%
Intercompany eliminations and adjustments	(79.4)	(73.9)		(154.4)	(152.9)	
Total revenue	359.0	289.2	24.1%	682.9	570.7	19.7%

Net operating costs

Total Group net operating costs for three months ended 30 June 2011 increased by 13.0%, compared with the three months ended 30 June 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			Six months ended		
	2011	2010	Increase %	2011	2010	Increase %
Inmarsat Global	57.6	44.4	29.7%	110.0	89.9	22.4%
Inmarsat Solutions	157.6	151.0	4.4%	300.4	300.3	–
	215.2	195.4	10.1%	410.4	390.2	5.2%
Intercompany eliminations and adjustments	(78.9)	(74.8)		(154.3)	(153.8)	
Total net operating costs	136.3	120.6	13.0%	256.1	236.4	8.3%

EBITDA

Group EBITDA for the three months ended 30 June 2011 increased by 32% compared with the three months ended 30 June 2010. EBITDA margin has increased to 62.0% for the three months ended 30 June 2011, compared with 58.3% for the three months ended 30 June 2010, primarily as a result of the inclusion of revenue from our Cooperation Agreement with LightSquared.

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			Six months ended		
	2011	2010	Increase/ (decrease) %	2011	2010	Increase/ (decrease) %
Profit for the period	109.8	49.0	124.1%	201.8	108.1	86.7%
Add back:						
Income tax expense	34.4	21.9	57.1%	67.2	45.4	48.0%
Net interest payable	18.5	37.8	(51.1%)	38.3	66.5	(42.4%)
Depreciation and amortisation	60.4	60.2	0.3%	120.2	114.9	(4.6%)
Share of results of associates	(0.4)	(0.3)	33.3%	(0.7)	(0.6)	16.7%
EBITDA	222.7	168.6	32.1%	426.8	334.3	27.7%
EBITDA margin %	62.0%	58.3%		62.5%	58.6%	

Depreciation and amortisation

The increase in depreciation and amortisation of US\$0.2m for the three months ended 30 June 2011 is due to depreciation of assets relating to our Global Satellite Phone Service ("GSPS") in the three months ended 30 June 2011, following commercial launch of IsatPhone Pro 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 30 June 2011, we recorded US\$0.4m in respect of earnings from associates, compared to US\$0.3m during the three months ended 30 June 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 30 June 2011 was US\$162.7m, an increase of US\$54.0m, or 50%, compared with the three months ended 30 June 2010.

Interest

Net interest payable for the three months ended 30 June 2011 was US\$18.5m, a decrease of US\$19.3m, or 51%, compared with the three months ended 30 June 2010.

Interest payable for the three months ended 30 June 2011 was US\$22.1m, a decrease of US\$17.1m, or 44%, compared with the three months ended 30 June 2010. The majority of the decrease relates to the reduction in interest payable following the repayment of Stratos' external funding in May/June 2010. In addition, there was also a decrease in intercompany

interest payable due to the restructure of the Group's borrowings as part of the May/June 2010 restructure and refinancing. The decrease was partially offset by the write-off of unamortised issue costs of US\$3.8m in the three months ended 30 June 2011 following the refinancing of the previous Senior Credit Facility.

Interest payable also reflects a credit in relation to the capitalisation of borrowing costs attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, of US\$4.7m in the three months ended 30 June 2011, compared to US\$1.6m in the three months ended 30 June 2010.

Interest receivable for the three months ended 30 June 2011 was US\$3.6m compared to US\$1.4m for the three months ended 30 June 2010. In the three months ended 30 June 2011, we recorded a hedge accounting gain of US\$3.0m in relation to the repayment of Ship Equip long-term debt. In the three months ended 30 June 2010, we experienced an unrealised foreign exchange gain on the pension and post-retirement scheme liabilities of US\$0.8m, due to the movement of the US dollar exchange rate during the period.

Profit before tax

For the three months ended 30 June 2011, profit before tax was US\$144.2m, an increase of US\$73.3m, or 103% compared with the three months ended 30 June 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 30 June 2011. The increase is partially offset by increased underlying Group operating costs during the three months ended 30 June 2011.

Income tax expense

The tax charge for the three months ended 30 June 2011 was US\$34.4m, an increase of US\$12.5m, or 57%, compared with the three months ended 30 June 2010. The increase in the tax charge is largely driven by the underlying increase in profits for the three months ended 30 June 2011. This was partially offset by the change in the UK main rate of corporation tax from 28% in 2010 to 26% with effect from 1 April 2011. There was also a prior year adjustment which resulted in a one off tax credit of US\$2.9m.

The effective tax rate for the three months ended 30 June 2011 was 23.9% compared to 30.9% for the three months ended 30 June 2010. If the effect of the prior year adjustment is removed, the effective rate for the half year ended 30 June 2011 is 25.9% compared to 26.8% for the half year ended 30 June 2010. The decrease in the adjusted 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 half year'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 30 June 2011 was US\$109.8m, an increase of US\$60.8m, or 124%, compared with the three months ended 30 June 2010.

Inmarsat Global Results

Revenues

During the three months ended 30 June 2011, revenues from Inmarsat Global were US\$249.8m, an increase of US\$65.6m, or 36%, compared with the three months ended 30 June 2010. MSS revenues decreased by US\$0.4m, or 0.2%, period on period. Our FleetBroadband, SwiftBroadband and BGAN services have shown strong growth in revenue during the three months ended 30 June 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 Swift 64, 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 30 June		Increase/ (decrease) %	Six months ended 30 June		Increase/ (decrease) %
	2011	2010		2011	2010	
Revenues						
Maritime sector:						
Voice services	22.9	24.7	(7.3%)	46.9	48.9	(4.1%)
Data services	66.3	66.8	(0.7%)	131.3	128.8	1.9%
Total maritime sector	89.2	91.5	(2.5%)	178.2	177.7	0.3%
Land mobile sector:						
Voice services	1.8	1.8	–	3.3	4.0	(17.5%)
Data services	38.1	32.8	16.2%	77.0	75.8	1.6%
Total land mobile sector	39.9	34.6	15.3%	80.3	79.8	0.6%
Aeronautical sector	24.8	26.8	(7.5%)	48.6	49.6	(2.0%)
Leasing	27.4	28.8	(4.9%)	54.8	55.8	(1.8%)
Total MSS	181.3	181.7	(0.2%)	361.9	362.9	(0.3%)
Other income	68.5	2.5		110.7	4.9	
Total revenue	249.8	184.2	35.6%	472.6	367.8	28.5%

Total active terminal numbers as at 30 June 2011 increased by 12.6%, compared with 30 June 2010. The table below sets out the active terminals by sector for each of the periods indicated:

(000's)	As at 30 June		Increase
	2011	2010	
Active terminals ^(a)			
Maritime	184.7	176.7	4.5%
Land mobile	104.4	79.8	30.8%
Aeronautical	12.8	11.7	9.4%
Total active terminals	301.9	268.2	12.6%

(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 30 June. 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 30 June 2011, we had 226,661 SLDR terminals.

Maritime Sector. During the three months ended 30 June 2011, revenues from the maritime sector were US\$89.2m, a decrease of US\$2.3m, or 2.5%, compared with the three months ended 30 June 2010.

Revenues from data services in the maritime sector during the three months ended 30 June 2011 were US\$66.3m, a decrease of US\$0.5m, or 0.7%, compared with the three months ended 30 June 2010. We added 2,727 new FleetBroadband terminals in the three months ended 30 June 2011. We believe that the accelerated adoption of our FleetBroadband service has 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.

Revenue from our Inmarsat B service continues to decline due to the natural run-off of this mature service. 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 30 June 2011 were US\$22.9m, a decrease of US\$1.8m or 7.3% compared with the three months ended 30 June 2010. Voice revenues have been 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 and by the substitution effect of voice usage moving to email and Voice Over IP which we record as data revenues. In addition, to encourage higher usage, we introduced new lower voice pricing for FleetBroadband customers with effect from 1 April 2011. We believe the current economic environment for the shipping industry and increased competition are also factors impacting our voice revenues in the maritime sector.

Land Mobile Sector. During the three months ended 30 June 2011, revenues from the land mobile sector were US\$39.9m, an increase of US\$5.3m, or 15.3%, compared with the three months ended 30 June 2010.

Revenues from data services in the land mobile sector during the three months ended 30 June 2011 were US\$38.1m, an increase of US\$5.3m, or 16.2%, compared with the three months ended 30 June 2010. An increase in BGAN revenues has resulted from the events in North Africa and Japan, which has been partially offset by a decline in BGAN and GAN revenue due to reduced traffic levels from government users in Afghanistan. Also, last year we benefited from disaster relief efforts for the Haiti and Chile earthquakes.

Revenues from voice services in the land mobile sector during the three months ended 30 June 2011 were US\$1.8m, in line with the three months ended 30 June 2010. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators. We launched our handheld satellite phone, IsatPhone Pro, in 2010 to readdress the voice opportunity. We remain encouraged by the strength of sales of our IsatPhone Pro terminals and are seeing steady growth in traffic and revenues.

Aeronautical Sector. During the three months ended 30 June 2011, revenues from the aeronautical sector were US\$24.8m, a decrease of US\$2.0m, or 7.5%, compared with the three months ended 30 June 2010. Swift 64 revenues recorded in our aeronautical sector, declined period on period due to certain customers rationalising their spending by switching to existing underutilised leases that they currently have with us. However, this decline has been partially offset by strong growth in revenues from our SwiftBroadband service which grew US\$1.7m, or 161%, compared to the three months ended 30 June 2010. Our low-speed data services also benefited from increased industry demand.

Leasing. During the three months ended 30 June 2011, revenues from leasing were US\$27.4m, a decrease of US\$1.4m, or 4.9%, compared with the three months ended 30 June 2010. The decrease is a result of the non-renewal of an aeronautical contract and the reduction of a maritime contract, towards the end of 2010, partially offset by increased revenues for an additional contract for land-based services, and a new contract with the Federal Aviation Authority.

Other income. Other income for the three months ended 30 June 2011 was US\$68.5m, an increase of US\$66.0m, or 2640% compared with the three months ended 30 June 2010. The increase is due to US\$59.8m of revenue recorded in respect of the LightSquared Cooperation Agreement and US\$5.5m of revenue relating to the sale of IsatPhone Pro terminals and accessories.

Net operating costs

Net operating costs for the three months ended 30 June 2011 increased by 30% compared with the three months ended 30 June 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			Six months ended		
	30 June 2011	2010	Increase %	30 June 2011	2010	Increase %
Employee benefit costs	23.7	22.0	7.7%	48.0	45.9	4.6%
Network and satellite operations costs	11.5	10.6	8.5%	22.3	21.1	5.7%
Other operating costs	25.9	15.1	71.5%	46.7	29.7	57.2%
Work performed by the Group and capitalised	(3.5)	(3.3)	6.1%	(7.0)	(6.8)	2.9%
Net operating costs	57.6	44.4	29.7%	110.0	89.9	22.4%

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\$1.7m for the three months ended 30 June 2011 compared to the three months ended 30 June 2010. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (546 at 30 June 2011 compared to 499 at 30 June 2010). Headcount has increased primarily to support our Global Xpress programme and increased activity in relation to our Cooperation Agreement with LightSquared.

Network and satellite operations costs. Network and satellite operations costs increased by US\$0.9m for the three months ended 30 June 2011 compared to the three months ended 30 June 2010. The increase is due to a combination of increased costs in relation to service contracts, gateway costs and software and hardware maintenance. The increase was partially offset by a decrease in in-orbit insurance following favourable contract renegotiations towards the later part of 2010.

Other operating costs. Other operating costs for the three months ended 30 June 2011 increased by US\$10.8m compared to the three months ended 30 June 2010. The increase relates primarily to professional fees incurred in relation to our Cooperation Agreement with LightSquared and to higher direct cost of sales resulting from IsatPhone Pro terminal sales. In addition, in the three months ended 30 June 2011 we recorded a foreign exchange translation loss of US\$0.5m compared to a foreign exchange translation gain of US\$0.6m in the three months ended 30 June 2010.

Own work capitalised. Own work capitalised for the three months ended 30 June 2011 increased by US\$0.2m compared to the three months ended 30 June 2010.

Operating profit

(US\$ in millions)	Three months ended 30 June		Increase/ (decrease) %	Six months ended 30 June		Increase %
	2011	2010		2011	2010	
Total revenue	249.8	184.2	35.6%	472.6	367.8	28.5%
Net operating costs	(57.6)	(44.4)	29.7%	(110.0)	(89.9)	22.4%
EBITDA	192.2	139.8	37.5%	362.6	277.9	30.5%
EBITDA margin %	76.9%	75.9%		76.7%	75.6%	
Depreciation and amortisation	(40.7)	(41.9)	(2.9%)	(83.1)	(83.1)	–
Operating profit	151.5	97.9	54.7%	279.5	194.8	43.5%

The increase in operating profit for the three months ended 30 June 2011 of US\$53.6m, compared to the three months ended 30 June 2010, is a result of higher revenues, partially offset by higher net operating costs.

Inmarsat Solutions Results

On 12 January 2010, we acquired the business assets of Segovia. On 28 April 2011, we completed the acquisition of Ship Equip. As a result of a Group Reorganisation completed in June 2010 and the acquisitions of Segovia and Ship Equip, we now include the Stratos, Segovia and Ship Equip businesses in a single reporting segment, Inmarsat Solutions.

Revenues

During the three months ended 30 June 2011, revenues from Inmarsat Solutions increased by 5.4%, compared with the three months ended 30 June 2010. The table below sets out the components of Inmarsat Solutions' revenues for each of the periods indicated:

(US\$ in millions)	Three months ended 30 June		Increase %	Six months ended 30 June		Increase/ (decrease) %
	2011	2010		2011	2010	
Inmarsat MSS	106.6	106.3	0.3%	214.9	215.1	(0.1%)
Broadband and Other MSS ^(a)	82.0	72.6	12.9%	149.8	140.7	6.5%
Total revenue	188.6	178.9	5.4%	364.7	355.8	2.5%

(a) Includes Segovia from 12 January 2010 and Ship Equip from 28 April 2011.

Inmarsat MSS. Revenues derived from Inmarsat MSS for the three months ended 30 June 2011 increased by US\$0.3m, or 0.3%, compared with the three months ended 30 June 2010. The increase is primarily due to increases in the aeronautical and land sectors, partially offset by decreases in leasing revenue and the maritime sector. Growth has been driven by increased revenues from Inmarsat's broadband services and increased Swift 64 revenue, which was 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 30 June 2011, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 40%, in line with the three months ended 30 June 2010.

Broadband and Other MSS. During the three months ended 30 June 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 and Ship Equip which provides VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets.

Revenues from 'Broadband and Other MSS' during the three months ended 30 June 2011 increased by US\$9.4m, or 12.9%, compared with the three months ended 30 June 2010. The increase is due to the inclusion of Ship Equip from 28 April 2011 and increased revenues primarily from network services and mobile satellite services in our Segovia business. These increases were offset in part by a reduction in network services provided to other Inmarsat distributors and decreased sales of mobile terminals and equipment in Stratos.

Net operating costs

Net operating costs in the three months ended 30 June 2011 increased by US\$6.6m, or 4.4%, compared with the three months ended 30 June 2010, primarily as a result of the inclusion of Ship Equip. 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 periods indicated:

(US\$ in millions)	Three months ended 30 June		Increase/ (decrease) %	Six months ended 30 June		Increase/ (decrease) %
	2011	2010		2011	2010	
Cost of goods and services	135.1	129.9	4.0%	259.9	260.5	(0.2%)
Operating costs	22.5	21.1	6.6%	40.5	39.8	1.8%
Total operating costs	157.6	151.0	4.4%	300.4	300.3	-
Allocated as follows:						
Employee benefit costs	26.3	22.9	14.8%	48.9	46.1	6.1%
Network and satellite operations costs ^(a)	124.5	120.0	3.7%	240.1	241.3	(0.5%)
Other operating costs	8.0	8.7	(8.0%)	13.7	14.3	(4.2%)
Own work capitalised	(1.2)	(0.6)	100.0%	(2.3)	(1.4)	64.3%
Net operating costs	157.6	151.0	4.4%	300.4	300.3	-

(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 30 June 2011 increased by US\$5.2m, compared with the three months ended 30 June 2010. The increase is predominantly due the addition of Ship Equip and higher network infrastructure operating costs in Stratos resulting primarily from higher salary costs and exchange rates. These increases are partially offset by a reduction of costs related to the sales of mobile terminals and equipment and network services provided to other Inmarsat distributors by Stratos. These revenues have very low gross margins and the reduction in these revenues results in significant reductions in the related cost of sales.

Operating costs. Operating costs during the three months ended 30 June 2011 increased by US\$1.4m, compared with the three months ended 30 June 2010. The increase is primarily due to the inclusion of Ship Equip and an increase in Segovia operating costs as a result of the growth in business, partially offset by a decrease in salaries and benefits costs in Stratos due to reduced incentive plan costs and a decrease in professional fees.

Operating profit

(US\$ in millions)	Three months ended 30 June		Increase %	Six months ended 30 June		Increase/ (decrease) %
	2011	2010		2011	2010	
Total revenue	188.6	178.9	5.4%	364.7	355.8	2.5%
Cost of goods and services	(135.1)	(129.9)	4.0%	(259.9)	(260.5)	(0.2%)
Gross margin	53.5	49.0	9.2%	104.8	95.3	10.0%
<i>Gross margin %</i>	28.4%	27.4%		28.7%	26.8%	
Operating costs	(22.5)	(21.1)	6.6%	(40.5)	(39.8)	1.8%
EBITDA	31.0	27.9	11.1%	64.3	55.5	15.9%
<i>EBITDA margin %</i>	16.4%	15.6%		17.6%	15.6%	
Depreciation and amortisation	(19.7)	(18.3)	7.7%	(37.1)	(31.8)	16.7%
Share of results of associate	0.4	0.3	33.3%	0.7	0.6	16.7%
Operating profit	11.7	9.9	18.2%	27.9	24.3	14.8%

Inmarsat Solutions' operating profit for the three months ended 30 June 2011 increased by US\$1.8m, compared with the three months ended 30 June 2010, primarily as a result of increased gross margin, partially offset by increased depreciation. Depreciation has increased primarily as a result of the addition of Ship Equip and increased capital expenditures in Stratos.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for the three months ended 30 June 2011 increased as a result of changes in product mix and the addition of Ship Equip, which has a higher gross margin. Changes in product mix include the decreased sales of equipment and network services provided to other Inmarsat distributors in Stratos, which have a lower gross margin and an increase in Segovia revenues which have a higher gross margin. This is partially offset by the migration of Stratos customers from older Inmarsat services to services such as BGAN and FleetBroadband, where the margin at the Stratos level tends to be lower.

Group liquidity and capital resources

At 30 June 2011, the Group had cash and cash equivalents of US\$200.5m and available but undrawn borrowing facilities of US\$1,362.0m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group's needs for the next twelve months. In addition, among satellite companies, the Group has historically maintained one of the lowest levels of debt leverage, as measured by the ratio of Net Borrowings to EBITDA. As a result of this prudent approach we remain well-positioned to access the capital markets when needed to meet our financing needs.

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

On 11 May 2011, we signed the Ex-Im Bank Facility, a 12.5-year US\$700.0m direct financing agreement with the Export-Import Bank of the United States, to fund the build of the Inmarsat-5 satellites and certain other related capital expenditure. The facility has a total availability period of 4 years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan. As at 30 June 2011, we had total drawings of US\$88.0m under the Ex-Im Bank Facility.

On 30 June 2011, we refinanced our previous US\$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new 5-year US\$750.0m Senior Credit Facility. Under the terms of the new facility the full US\$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the 5-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The new facility has been provided by a group of 12 commercial banks.

Simultaneously with the signing of the new Senior Credit Facility, we prepaid and cancelled the previous US\$500m Senior Credit Facility. The amount outstanding on previous facility at that date was US\$200.0m and this was funded from available cash. As a result, as at 30 June 2011 there were no drawings on the new Senior Credit Facility.

Both the Ex-Im Bank Facility and the new Senior Credit Facility rank as a senior secured creditors of Inmarsat Investments Limited, pari passu with our EIB Facility and ahead of our 7.375% Senior Notes due 2017. Inmarsat Investments Limited is a direct subsidiary of Inmarsat Group Limited.

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

(US\$ in millions)	As at 30 June 2011	As at 31 December 2010
Senior Credit Facility	–	200.0
EIB Facility	308.4	308.4
Ex-Im Bank Facility	88.0	–
Senior Notes due 2017	650.0	650.0
– issuance discount	(3.9)	(4.2)
Intercompany loan	331.6	331.4
Deferred satellite payments	37.6	40.8
Bank overdrafts	3.4	0.7
Total borrowings	1,415.1	1,527.1
Cash and cash equivalents	(200.5)	(323.1)
Net Borrowings (gross of deferred finance costs)	1,214.6	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 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Net cash from operating activities	247.7	152.9	475.6	309.9
Net cash used in investing activities				
excluding capital expenditure	(113.1)	–	(131.5)	(113.6)
Capital expenditure, including own work capitalised	(126.3)	(35.9)	(160.9)	(67.6)
Dividends paid	(104.5)	–	(104.5)	(100.7)
Net cash used in financing activities				
excluding dividends paid	(196.9)	(293.9)	(203.8)	(137.1)
Foreign exchange adjustment	0.1	1.7	(0.2)	0.5
Net decrease in cash and cash equivalents	(293.0)	(175.2)	(125.3)	(108.6)

The increase in net cash generated from operating activities in the three months ended 30 June 2011, compared to the three months ended 30 June 2010, of US\$94.8m primarily relates to US\$109.0m received from LightSquared in the three months ended 30 June 2011 in respect of our Cooperation Agreement and higher EBITDA, offset by movements in working capital and higher cash tax paid in the three ended 30 June 2011.

The increase in net cash used in investing activities excluding capital expenditure in the three months ended 30 June 2011, compared to the three months ended 30 June 2010, was US\$113.1m. During the three ended 30 June 2011, we purchased Ship Equip for a cash consideration of US\$113.2m (excluding the repayment of debt which is treated as a financing activity and net of cash acquired and foreign exchange risk hedging gains).

Capital expenditure, including own work capitalised, increased by US\$90.4m in the three months ended 30 June 2011, compared to the three months ended 30 June 2010, primarily

due to expenditure on our Global Xpress programme. 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\$11.0m for the three months ended 30 June 2011 (three months ended 30 June 2010: US\$7.1m).

Net cash used in financing activities, excluding the payment of dividends, decreased by US\$97.0m in the three months ended 30 June 2011, compared to the three months ended 30 June 2010. During the three ended 30 June 2011, the Group repaid US\$200.0m outstanding under our old Senior Credit Facility, repaid US\$47.7m of outstanding debt in Ship Equip (net of US\$3.0m of hedge gains), paid cash interest of US\$31.6m and paid arrangement costs in respect of new financing of US\$8.6m. We received US\$88.0m from the drawdown of our Ex-Im Bank Facility during the three months ended 30 June 2011.

During the three months ended 30 June 2010, the Group repaid the outstanding balance of the Stratos Senior Credit Facility of US\$206.9m 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 three months ended 30 June 2010 the Group repaid US\$50.0m of the Senior Credit Facility and paid US\$34.3m 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.

Group free cash flow

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Cash generated from operations	271.5	156.9	514.8	321.2
Capital expenditure, including own work capitalised	(126.3)	(35.9)	(160.9)	(67.6)
Net cash interest paid	(31.0)	(34.3)	(36.8)	(50.3)
Cash tax paid	(24.4)	(4.0)	(40.7)	(11.5)
Free cash flow	89.8	82.7	276.4	191.8

Free cash flow increased by US\$7.1m, or 8.6%, during the three months ended 30 June 2011, compared to the three months ended 30 June 2010. The increase is due to an increase in EBITDA as a result of higher revenues, 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 by increased cash tax paid and additional capital expenditure.

Recent Events

Subsequent to 30 June 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 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Revenues	359.0	289.2	682.9	570.7
Employee benefit costs	(50.1)	(44.9)	(96.9)	(92.0)
Network and satellite operations costs	(57.7)	(56.0)	(109.0)	(109.4)
Other operating costs	(33.2)	(23.7)	(59.5)	(43.2)
Own work capitalised	4.7	4.0	9.3	8.2
Total net operating costs	(136.3)	(120.6)	(256.1)	(236.4)
EBITDA	222.7	168.6	426.8	334.3
Depreciation and amortisation	(60.4)	(60.2)	(120.2)	(114.9)
Share of results of associates	0.4	0.3	0.7	0.6
Operating profit	162.7	108.7	307.3	220.0
Interest receivable and similar income	3.6	1.4	4.2	4.7
Interest payable and similar charges	(22.1)	(39.2)	(42.5)	(71.2)
Net interest payable	(18.5)	(37.8)	(38.3)	(66.5)
Profit before income tax	144.2	70.9	269.0	153.5
Income tax expense	(34.4)	(21.9)	(67.2)	(45.4)
Profit for the period	109.8	49.0	201.8	108.1
Attributable to:				
Equity holders	109.7	49.0	201.7	108.0
Non-controlling interest	0.1	–	0.1	0.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Profit for the period	109.8	49.0	201.8	108.1
Other comprehensive (loss)/income:				
Actuarial losses from pension and post-retirement healthcare benefits	(0.8)	–	(0.8)	–
(Losses)/gains on cash flow hedges	(2.5)	(18.2)	11.1	(31.8)
Tax credited/(charged) directly to equity	1.0	5.0	(1.4)	9.4
Other comprehensive (loss)/income for the period, net of tax	(2.3)	(13.2)	8.9	(22.4)
Total comprehensive income for the period, net of tax	107.5	35.8	210.7	85.7
Attributable to:				
Equity holders	107.4	35.8	210.6	85.6
Non-controlling interest	0.1	–	0.1	0.1

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(US\$ in millions)	As at 30 June 2011	As at 31 December 2010
Assets		
Non-current assets		
Property, plant and equipment	1,477.1	1,355.7
Intangible assets	1,220.9	1,127.2
Investments	31.2	30.8
Other receivables	5.7	5.2
Derivative financial instruments	4.1	6.9
	2,739.0	2,525.8
Current assets		
Cash and cash equivalents	200.5	323.1
Trade and other receivables	305.0	268.2
Inventories	26.9	20.2
Derivative financial instruments	18.2	7.4
	550.6	618.9
Total assets	3,289.6	3,144.7
Liabilities		
Current liabilities		
Borrowings	37.0	59.0
Trade and other payables	486.9	349.8
Provisions	0.3	0.4
Current income tax liabilities	78.4	51.0
Derivative financial instruments	10.8	12.9
	613.4	473.1
Non-current liabilities		
Borrowings	1,356.9	1,448.6
Other payables	42.2	58.3
Provisions	45.0	42.5
Deferred income tax liabilities	87.7	86.5
Derivative financial instruments	11.9	13.6
	1,543.7	1,649.5
Total liabilities	2,157.1	2,122.6
Net assets	1,132.5	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	409.6	312.9
Equity attributable to shareholders of the parent	1,131.7	1,021.4
Non-controlling interest	0.8	0.7
Total equity	1,132.5	1,022.1

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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 (audited)	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	–	–	–	–	(31.8)	–	–	–	(31.8)
Share options charge	–	–	4.5	–	–	–	–	–	4.5
Issue of share capital	–	331.1	–	–	–	–	–	–	331.1
Profit for the period	–	–	–	–	–	–	108.0	0.1	108.1
Dividends paid	–	–	–	–	–	–	(100.7)	–	(100.7)
Tax credited directly to equity	–	–	–	–	8.7	–	0.7	–	9.4
Balance at 30 June 2010 (unaudited)	0.4	677.4	30.8	0.6	(25.7)	2.1	205.9	0.6	892.1
Balance at 1 January 2011 (audited)	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	–	–	–	–	11.1	–	–	–	11.1
Share options charge	–	–	4.2	–	–	–	–	–	4.2
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	–	–	–	(0.8)	–	(0.8)
Profit for the period	–	–	–	–	–	–	201.7	0.1	201.8
Dividends paid	–	–	–	–	–	–	(104.5)	–	(104.5)
Tax (charged)/credited directly to equity	–	–	–	–	(1.7)	–	0.3	–	(1.4)
Balance at 30 June 2011 (unaudited)	0.4	677.4	39.7	0.6	1.9	2.1	409.6	0.8	1,132.5

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Cash flow from operating activities				
Cash generated from operations	271.5	156.9	514.8	321.2
Interest received	0.6	–	1.5	0.2
Income taxes paid	(24.4)	(4.0)	(40.7)	(11.5)
Net cash flow from operating activities	247.7	152.9	475.6	309.9
Cash flow from investing activities				
Purchase of property, plant and equipment	(117.5)	(27.1)	(141.2)	(46.3)
Additions to capitalised development costs, including software	(4.4)	(5.6)	(9.1)	(13.1)
Own work capitalised	(4.4)	(3.2)	(10.6)	(8.2)
Purchase of Segovia	–	–	–	(110.0)
Purchase of Ship Equip	(113.2)	–	(113.2)	–
Other investments, including acquisition of subsidiaries	0.1	–	(18.3)	(3.6)
Net cash used in investing activities	(239.4)	(35.9)	(292.4)	(181.2)
Cash flow from financing activities				
Dividends paid	(104.5)	–	(104.5)	(100.7)
(Repayment)/drawdown of Senior Credit Facility	(200.0)	(50.0)	(200.0)	50.0
Drawdown of EIB Facility	–	180.0	–	180.0
Drawdown of Ex-Im Bank Facility	88.0	–	88.0	–
Repayment of the Stratos Senior Credit Facility	–	(206.9)	–	(209.2)
Redemption of Stratos Senior Unsecured Notes	–	(65.5)	–	(65.5)
Purchase of own debt securities, including discount	–	–	–	(24.4)
Interest paid on borrowings	(31.6)	(34.3)	(38.3)	(50.5)
Arrangement costs of new borrowing facilities	(8.6)	(2.6)	(8.8)	(2.6)
Intercompany funding	–	(114.6)	–	(14.9)
Repayment of Ship Equip long-term debt	(44.7)	–	(44.7)	–
Net cash used in financing activities	(301.4)	(293.9)	(308.3)	(237.8)
Foreign exchange adjustment	0.1	1.7	(0.2)	0.5
Net decrease in cash and cash equivalents	(293.0)	(175.2)	(125.3)	(108.6)
Movement in cash and cash equivalents				
At beginning of period	490.1	292.4	322.4	225.8
Net decrease in cash and cash equivalents	(293.0)	(175.2)	(125.3)	(108.6)
As reported on balance sheet (net of bank overdrafts)	197.1	117.2	197.1	117.2
At end of period, comprising				
Cash at bank and in hand	75.5	57.6	75.5	57.6
Short-term deposits with original maturity of less than 3 months	125.0	61.0	125.0	61.0
Bank overdrafts	(3.4)	(1.4)	(3.4)	(1.4)
	197.1	117.2	197.1	117.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

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 4 August 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 30 June 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 30 June 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).
 - IAS 32 (as revised) – Financial Instruments: Presentation – classification of rights issues (effective for financial years beginning on or after 1 February 2010).
 - 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

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 US dollar, as the majority of operational transactions and borrowings are denominated in US 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. 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).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

Segment information:

(US\$ in millions)	Three months ended 30 June 2011					Six months ended 30 June 2011				
	Inmarsat Global	Inmarsat Solutions	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenue										
External sales	172.3	186.7	–	–	359.0	321.8	361.1	–	–	682.9
Inter-segment	77.5	1.9	–	(79.4)	–	150.8	3.6	–	(154.4)	–
Total revenue	249.8	188.6	–	(79.4)	359.0	472.6	364.7	–	(154.4)	682.9
Segment result (operating profit)	151.5	11.7	–	(0.5)	162.7	279.5	27.9	–	(0.1)	307.3
Net interest charged to the Income Statement	–	–	(18.5)	–	(18.5)	–	–	(38.3)	–	(38.3)
Profit before income tax					144.2					269.0
Income tax expense					(34.4)					(67.2)
Profit for the year					109.8					201.8
Segment assets	2,431.3	1,092.5	208.3	(442.5)	3,289.6	2,431.3	1,092.5	208.3	(442.5)	3,289.6
Segment liabilities	(493.6)	(173.6)	(1,563.6)	73.7	(2,157.1)	(493.6)	(173.6)	(1,563.6)	73.7	(2,157.1)
Investment (included in segment assets) ^(b)	23.5	–	–	–	23.5	23.5	–	–	–	23.5
Capital expenditure ^(c)	(91.4)	(10.6)	–	–	(102.0)	(157.7)	(17.5)	–	–	(175.2)
Depreciation	(35.0)	(9.5)	–	–	(44.5)	(71.2)	(17.0)	–	–	(88.2)
Amortisation of intangible assets	(5.7)	(10.2)	–	–	(15.9)	(11.9)	(20.1)	–	–	(32.0)

(a) Includes Ship Equip International A.S. ("Ship Equip") from 28 April 2011.

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

(c) Capital expenditure stated using accruals basis.

(US\$ in millions)	Three months ended 30 June 2010					Six months ended 30 June 2010				
	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenue										
External sales	112.2	177.0	–	–	289.2	217.9	352.8	–	–	570.7
Inter-segment	72.0	1.9	–	(73.9)	–	149.9	3.0	–	(152.9)	–
Total revenue	184.2	178.9	–	(73.9)	289.2	367.8	355.8	–	(152.9)	570.7
Segment result (operating profit)	97.9	9.9	–	0.9	108.7	194.8	24.3	–	0.9	220.0
Net interest charged to the Income Statement	–	–	(37.8)	–	(37.8)	–	–	(66.5)	–	(66.5)
Profit before income tax					70.9					153.5
Income tax expense					(21.9)					(45.4)
Profit for the year					49.0					108.1
Segment assets	2,069.0	929.2	118.6	(190.5)	2,926.3	2,069.0	929.2	118.6	(190.5)	2,926.3
Segment liabilities	(269.1)	(190.5)	(1,656.8)	82.2	(2,034.2)	(269.1)	(190.5)	(1,656.8)	82.2	(2,034.2)
Investment (included in segment assets) ^(b)	23.5	–	–	–	23.5	23.5	–	–	–	23.5
Capital expenditure ^(c)	(24.7)	(11.8)	–	–	(36.5)	(51.7)	(16.2)	–	–	(67.9)
Depreciation	(36.4)	(8.7)	–	–	(45.1)	(72.3)	(14.4)	–	–	(86.7)
Amortisation of intangible assets	(5.4)	(9.7)	–	–	(15.1)	(10.8)	(17.4)	–	–	(28.2)

(a) Includes Segovia from 12 January 2010.

(b) Relates to 19% stake in SkyWave.

(c) Capital expenditure stated using accruals basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS
(continued)

4. Net interest payable

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Interest on Senior Notes and credit facilities	(15.3)	(15.8)	(31.1)	(30.5)
Interest rate swaps	(3.5)	(3.4)	(6.9)	(6.8)
Pension and post-retirement liability finance costs	(0.3)	–	(1.6)	–
Unwinding of discount on deferred satellite liabilities	(0.6)	(0.7)	(1.3)	(1.4)
Amortisation of debt issue costs	(5.5)	(1.8)	(7.2)	(3.4)
Amortisation of discount on Senior Notes due 2017	(0.1)	(0.1)	(0.3)	(0.3)
Interest on Inmarsat Solutions borrowings	–	(10.6)	–	(14.6)
Premium on purchase of Stratos Senior Unsecured Notes	–	–	–	(1.4)
Unwinding of discount on deferred consideration	(1.0)	(1.8)	(2.4)	(2.5)
Intercompany interest	(0.1)	(6.1)	(0.2)	(12.4)
Other interest	(0.4)	(0.5)	(0.4)	(0.9)
Interest payable and similar charges	(26.8)	(40.8)	(51.4)	(74.2)
Less: Amounts included in the cost of qualifying assets	4.7	1.6	8.9	3.0
Total interest payable and similar charges	(22.1)	(39.2)	(42.5)	(71.2)
Bank interest receivable and other interest	3.6	0.6	4.2	1.3
Pension and post-retirement liability finance costs	–	0.8	–	3.4
Total interest receivable and similar income	3.6	1.4	4.2	4.7
Net interest payable	(18.5)	(37.8)	(38.3)	(66.5)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

5. 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 2011			As at 31 December 2010		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	3.4	–	3.4	0.7	–	0.7
Deferred satellite payments	7.9	–	7.9	8.3	–	8.3
Senior Credit Facility ^(a)	–	–	–	50.0	–	50.0
EIB Facility ^(b)	25.7	–	25.7	–	–	–
Total current borrowings	37.0	–	37.0	59.0	–	59.0
Non-current:						
Senior Credit Facility ^(a)	–	–	–	150.0	(6.1)	143.9
Senior Notes due 2017 ^(c)	650.0	(10.1)	639.9	650.0	(10.8)	639.2
—Issuance discount	(3.9)	–	(3.9)	(4.2)	–	(4.2)
EIB Facility ^(b)	282.7	(2.4)	280.3	308.4	(2.6)	305.8
Ex-Im Bank Facility ^(d)	88.0	(8.7)	79.3	–	–	–
Deferred satellite payments	29.7	–	29.7	32.5	–	32.5
Subordinated Parent Company Loan ^(e)	325.7	–	325.7	325.7	–	325.7
Intercompany loan	5.9	–	5.9	5.7	–	5.7
Total non-current borrowings	1,378.1	(21.2)	1,356.9	1,468.1	(19.5)	1,448.6
Total borrowings	1,415.1	(21.2)	1,393.9	1,527.1	(19.5)	1,507.6
Cash and cash equivalents	(200.5)	–	(200.5)	(323.1)	–	(323.1)
Net borrowings	1,214.6	(21.2)	1,193.4	1,204.0	(19.5)	1,184.5

- (a) On 30 June 2011, we refinanced our previous US\$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new 5-year US\$750.0m Senior Credit Facility. Under the terms of the new facility the full US\$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the 5-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The amount outstanding on previous facility on the date of prepayment was US\$200.0m and this amount was funded from available cash balances. As a result, as at 30 June 2011 there were no drawings on the new Senior Credit Facility.
- (b) 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 quarterly.
- (c) On 12 November 2009, we issued US\$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ("Senior Notes due 2017"). The aggregate gross proceeds were US\$645.2m, net of US\$4.8m issuance discount and we capitalised US\$12.5m of issuance costs.
- (d) On 11 May 2011, we signed a 12.5-year US\$700.0m direct financing agreement with the Export-Import Bank of the United States (the "Ex-Im Bank Facility"). The facility has a total availability period of 4 years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan.
- (e) 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)

6. Acquisition of Ship Equip

On 28 April 2011, we acquired 100% of the outstanding ordinary shares of Ship Equip for a total cash consideration of US\$113.2m (net of cash acquired and after hedging the foreign exchange risk). Immediately following the transaction, we repaid Ship Equip's external long-term debt amounting to US\$44.7m (net of gains from hedging the foreign exchange risk).

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.

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 financed the acquisition of the shares and the debt repayment from available liquidity.

The acquisition of Ship Equip has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for the period ended 30 June 2011 include the financial results of Ship Equip for the period from 28 April 2011 to 30 June 2011. 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.

The allocation of the purchase consideration has not been finalised and is expected to be completed for Q3 2011. Once completed an element of the purchase price will be allocated to intangible assets and then amortised over the applicable useful economic life. As this exercise has not been completed, no amortisation relating to Ship Equip intangible assets has been recorded in the results. The table below sets out the provisional allocation of the purchase consideration to the net assets and liabilities of Ship Equip:

(US\$ in millions)	Book value and provisional fair value
Net assets acquired:	
Intangible assets	1.3
Property, plant and equipment	47.3
Other assets	0.5
Total non-current assets	49.1
Trade and other receivables ^(a)	8.7
Inventories	6.2
Other assets	4.1
Total current assets	19.0
Trade and other payables	(9.5)
Deferred revenue	(8.5)
Long-term debt	(47.7)
Total liabilities	(65.7)
Identifiable net assets	2.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

Allocated purchase consideration:

Cash consideration, net of cash acquired	119.8
Less: hedge accounting gains	(6.6)
Total allocated purchase consideration	113.2
Goodwill recognised	110.8

- (a) The book value of trade receivables of US\$8.4m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

Goodwill represents the excess of the purchase consideration over the provisional fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Ship Equip's expertise in delivering VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets, will generate value for the Group through future customer relationships.

During the period ended 30 June 2011, we recognised US\$1.5m of transaction costs directly associated with the acquisition of Ship Equip as an expense in the Income Statement.

The revenue included in the Income Statement for the period ended 30 June 2011, contributed by Ship Equip since the acquisition date, was US\$10.5m. Ship Equip also contributed a profit after tax of US\$0.1m during the period ended 30 June 2011. Ship Equip's contribution to revenue and profit after tax, assuming the transaction had occurred on 1 January 2011, would have been US\$28.7m and a loss of US\$2.6m, respectively.

7. Events after the balance sheet date

Subsequent to 30 June 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.