INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL RESULTS
For the three and six months ended 30 June 2012
(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 2011, 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 (including 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, loss on disposal of assets 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 2012. Inmarsat Group Limited is a wholly-owned indirect subsidiary of Inmarsat plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. 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 an L-band satellite-based network. With an in-orbit fleet of 10 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, comprising our direct and indirect distribution businesses, 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 owned and operated microwave and satellite telecommunications facilities.

In addition to our established L-band satellite services business, we are implementing our Global Xpress programme, a major US$1.2 billion investment project with initial deployment and global service on track for 2013 and 2014, respectively. Global Xpress services will be supported by a network of three Ka-band satellites, the Inmarsat-5 satellites, being built by Boeing Space and Intelligence Systems. Global Xpress will offer seamless global coverage and deliver MSS broadband speeds of up to 50 Mbps for users in the government, maritime, energy, enterprise and aviation sectors.

The Group's revenues for the three months ended 30 June 2012 were US$329.4m (2011: US$359.0m), EBITDA was US$176.0m (2011: US$222.7m) and operating profit was US$114.7m (2011: US$162.7m). 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.

Global Xpress Programme Update

Our Global Xpress programme remains on budget and on schedule for initial deployment and global service in 2013 and 2014, respectively.

On 18 April 2012, we announced the signing of an exclusive agreement with Honeywell to develop global in-flight connectivity services for business, commercial and government aviation customers around the world. Under the terms of the agreement, Honeywell will develop, produce and distribute the onboard hardware that will enable users to connect to our Global Xpress network.

Inmarsat Global Services

On 17 May 2012, we announced the launch of FleetBroadband Multi-voice, a new capability available on all our FleetBroadband terminals (including FB150 the entry level variant) that will allow up to nine simultaneous telephone calls to be made through a single FleetBroadband terminal. This enhancement to our FleetBroadband service will enable vessel owners and managers to offer more crew communications options, while separating this traffic from operational use.

On 10 July 2012, we announced that SwiftBroadband will be deployed as the satellite backbone for in-flight internet services on two airlines in the Asia Pacific region. Leading Japanese air carrier ANA will deploy SwiftBroadband on its international routes from mid-2013, mainly serving US and European destinations. The SwiftBroadband service is being provided by Inmarsat distribution partner OnAir, which will deploy its 'Internet OnAir' wi-fi capability on 28 aircraft initially.

OnAir is also providing in-flight connectivity for Cebu Pacific Air, the Philippines' largest carrier and the first low cost carrier in Southeast Asia. Starting with deployment on its Airbus A330 fleet, the airline will roll out Internet OnAir to passengers during 2013. It also has an option to install wi-fi services on its fleet of Airbus A320 aircraft, for short haul flights, in a second phase.

Inmarsat Solutions Services

On 23 April 2012, we announced the first appointments for our global network of XpressLink dealers. We now have 24 leading maritime communications specialists that have been approved to sell XpressLink, providing access to shipping fleets worldwide through sales teams based in North America, Europe, Middle East and Asia.

LightSquared Cooperation Agreement

On 20 April 2012, we announced an agreement with LightSquared to amend certain terms of the Cooperation Agreement. In connection with the amended terms, LightSquared made a payment to Inmarsat of US$56.25m, resulting in the completion of all payments due under Phase 1 of the Agreement. Under the terms of the amendment, we renegotiated and agreed to suspend Phase 2 of the Cooperation Agreement until 31 March 2014. During the period of suspension, LightSquared will not be required to make any Phase 2 payments to us, including a payment of US$29.6m which was due 31 March 2012. In certain circumstances, including at the option of LightSquared, Phase 2 may be restarted prior to 1 April 2014. Phase 1.5 of the Cooperation Agreement was also renegotiated within the scope of the amendment and is no longer operative. The amended terms of the Cooperation Agreement are designed to allow LightSquared additional time to secure regulatory consents that may ultimately lead to the deployment of its ATC network in North America.

LightSquared has made total payments to us in respect of all the phases of the Cooperation Agreement of US$546.4m, of which US$56.25m was received in April 2012. We have, thus far, recognised US$275.9m of revenue and US$16.9m of operating costs under all the phases of the Cooperation Agreement. At 30 June 2012, we recorded a balance of US$270.5m deferred income, within trade and other payables on the Balance Sheet.

The table below sets out the contribution of our Cooperation Agreement with LightSquared to our profit for the periods indicated:

	Three months ended 30 June	
(US$ in millions)	**2012**	**2011**
Revenue	3.3	59.9
Net operating costs	(1.6)	(4.2)
EBITDA	**1.7**	**55.7**
Income tax expense	(0.4)	(14.8)
Profit for the year	**1.3**	**40.9**

Under Phase 1 (including the previous Phase 1.5), LightSquared has made payments to us totalling US$408.7m. We are accounting for the Phase 1 payments using the percentage of completion method. We have recognised US$3.3m of revenue and US$1.6m of operating costs during the three months ended 30 June 2012 (2011: US$31.1m and US$4.2m, respectively).

Under the original Phase 2, LightSquared has made payments to us totalling US$137.7m. Revenue has been recognised on a straight-line basis over the period from commencement of the original Phase 2 until 31 March 2012. No revenue was recognised in respect of Phase 2 for the three months ending 30 June 2012 (2011: US$28.8m). As a result of the suspension of Phase 2, we do not expect to recognise any further revenue under Phase 2 of the Cooperation Agreement until such time as Phase 2 recommences.

Financing

On 11 April 2012, our direct subsidiary, Inmarsat Finance plc, issued a further US$200m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017 (“Senior Notes due 2017”). The aggregate gross proceeds of US$212m, including US$12m premium on issuance, are available for general corporate purposes. We capitalised the issuance costs in relation to the issue of these additional Senior Notes due 2017.

Dividends

The Board intends to declare and pay an interim dividend for the 2012 financial year of US$75.9m to Inmarsat Holdings Limited on 25 October 2012. Inmarsat plc intends to use the proceeds of the dividend it receives principally to fund a dividend to holders of its ordinary shares. This dividend has not been recognised as a liability as at 30 June 2012.

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 2012. We report two operating segments, Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip (acquired on 28 April 2011) and NewWave Broadband Limited ("NewWave") (acquired on 13 January 2012). The table below sets out the results of the Group for the periods indicated:

(US$ in millions)	Three months ended 30 June 2012	Three months ended 30 June 2011	*Increase/ (decrease) %*	Six months ended 30 June 2012	Six months ended 30 June 2011	*Increase/ (decrease) %*
Revenue	**329.4**	**359.0**	**(8.2%)**	**684.2**	**682.9**	**0.2%**
Employee benefit costs	(54.2)	(50.1)	8.2%	(108.3)	(96.9)	11.8%
Network and satellite operations costs	(73.8)	(57.7)	27.9%	(141.2)	(109.0)	29.5%
Other operating costs	(31.3)	(33.2)	(5.7%)	(65.1)	(59.5)	9.4%
Own work capitalised	5.9	4.7	25.5%	11.7	9.3	25.8%
Total net operating costs	**(153.4)**	**(136.3)**	**12.5%**	**(302.9)**	**(256.1)**	**18.3%**
EBITDA	**176.0**	**222.7**	**(21.0%)**	**381.3**	**426.8**	**(10.7%)**
Depreciation and amortisation	(61.4)	(60.4)	1.7%	(122.5)	(120.2)	1.9%
Loss on disposal of assets	(0.1)	–	–	(0.1)	–	–
Share of results of associates	0.2	0.4	(50.0%)	0.6	0.7	(14.3%)
Operating profit	**114.7**	**162.7**	**(29.5%)**	**259.3**	**307.3**	**(15.6%)**
Interest receivable and similar income	0.4	3.6	(88.9%)	0.8	4.2	(81.0%)
Interest payable and similar charges	(11.2)	(22.1)	(49.3%)	(23.2)	(42.5)	(45.4%)
Net interest payable	(10.8)	(18.5)	(41.6%)	(22.4)	(38.3)	(41.5%)
Profit before income tax	**103.9**	**144.2**	**(27.9%)**	**236.9**	**269.0**	**(11.9%)**
Income tax expense	(26.8)	(34.4)	(22.1%)	(55.8)	(67.2)	(17.0%)
Profit for the period	**77.1**	**109.8**	**(29.8%)**	**181.1**	**201.8**	**(10.3%)**

Revenues

Total Group revenues for the three months ended 30 June 2012 decreased by 8.2% compared with the three months ended 30 June 2011. 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 2012	Three months ended 30 June 2011	*Increase/ (decrease) %*	Six months ended 30 June 2012	Six months ended 30 June 2011	*Increase/ (decrease) %*
Inmarsat Global	204.3	249.8	(18.2%)	441.2	472.6	(6.6%)
Inmarsat Solutions	205.4	188.6	8.9%	396.2	364.7	8.6%
	409.7	438.4	(6.5%)	837.4	837.3	–
Intercompany eliminations and adjustments	(80.3)	(79.4)		(153.2)	(154.4)	
Total revenue	**329.4**	**359.0**	**(8.2%)**	**684.2**	**682.9**	**0.2%**

Net operating costs

Total Group net operating costs for three months ended 30 June 2012 increased by 12.5%, compared with the three months ended 30 June 2011. 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 30 June 2012	Three months ended 30 June 2011	*Increase/ (decrease) %*	Six months ended 30 June 2012	Six months ended 30 June 2011	*Increase %*
Inmarsat Global	55.5	57.6	(3.6%)	113.2	110.0	2.9%
Inmarsat Solutions	177.5	157.6	12.6%	342.8	300.4	14.1%
	233.0	215.2	8.3%	456.0	410.4	11.1%
Intercompany eliminations and adjustments	(79.6)	(78.9)		(153.1)	(154.3)	
Total net operating costs	**153.4**	**136.3**	**12.5%**	**302.9**	**256.1**	**18.3%**

EBITDA

Group EBITDA for the three months ended 30 June 2012 decreased by 21% compared with the three months ended 30 June 2011; this was primarily as a result of decreased revenue from our Cooperation Agreement with LightSquared and increased operating costs. EBITDA margin has decreased to 53.4% for the three months ended 30 June 2012, compared with 62.0% for the three months ended 30 June 2011. Below is a reconciliation of profit for the period to EBITDA for each of the periods indicated:

(US$ in millions)	**Three months ended 30 June** 2012	2011	***Increase/ (decrease)*** %	**Six months ended 30 June** 2012	2011	***Increase/ (decrease)*** %
Profit for the period	**77.1**	**109.8**	**(29.8%)**	**181.1**	**201.8**	**(10.3%)**
Add back:						
Income tax expense	26.8	34.4	(22.1%)	55.8	67.2	(17.0%)
Net interest payable	10.8	18.5	(41.6%)	22.4	38.3	(41.5%)
Depreciation and amortisation	61.4	60.4	1.7%	122.5	120.2	1.9%
Loss on disposal of assets	0.1	–	–	0.1	–	–
Share of results of associates	(0.2)	(0.4)	(50.0%)	(0.6)	(0.7)	(14.3%)
EBITDA	**176.0**	**222.7**	**(21.0%)**	**381.3**	**426.8**	**(10.7%)**
EBITDA margin %	***53.4%***	***62.0%***		***55.7%***	***62.5%***	

Depreciation and amortisation

The increase in depreciation and amortisation of US$1.0m for the three months ended 30 June 2012 is due to additional depreciation on additions to tangible fixed assets in our Inmarsat Solutions segment. Partially offsetting the increase is a reduction in depreciation due to the Inmarsat-3 satellites and certain billing system assets becoming fully depreciated.

Operating profit

As a result of the factors discussed above, operating profit during the three months ended 30 June 2012 was US$114.7m, a decrease of US$48.0m, or 30%, compared with the three months ended 30 June 2011.

Interest

Net interest payable for the three months ended 30 June 2012 was US$10.8m, a decrease of US$7.7m, or 42%, compared with the three months ended 30 June 2011.

Interest payable for the three months ended 30 June 2012 was US$11.2m, a decrease of US$10.9m, or 49%, compared with the three months ended 30 June 2011. The decrease in interest payable is predominantly due to a significant increase in the amount of interest that we are required to capitalise. During the three months ended 30 June 2012 we capitalised interest of US$13.7m that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$4.7m capitalised in the three months ended 30 June 2011. In the three months ended 30 June 2011, we recorded US$1.0m of interest in respect of unwinding of the discount we applied to the Segovia acquisition deferred consideration (three months ended 30 June 2012: US$nil) and we wrote off unamortised issue costs of US$3.8m following the refinancing of our previous Senior Credit Facility. The decrease was partially offset by increased interest following further drawdowns of our Ex-Im Bank Facility and the issue of additional Senior Notes due 2017.

Interest receivable for the three months ended 30 June 2012 was US$0.4m compared to US$3.6m for the three months ended 30 June 2011. 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.

Profit before tax

Profit before tax for the three months ended 30 June 2012 was US$103.9m, a decrease of US$40.3m, or 28% compared with the three months ended 30 June 2011. The decrease is due primarily to decreased revenues from our Cooperation Agreement with LightSquared and increased net operating costs, partially offset by decreased net interest payable, during the three months ended 30 June 2012.

Income tax expense
The tax charge for the three months ended 30 June 2012 was US$26.8m, a decrease of US$7.6m, or 22%, compared with the three months ended 30 June 2011. The decrease in the tax charge is largely driven by the underlying decrease in profits for the three months ended 30 June 2012. This was partially offset by a prior year adjustment for the three months ended 30 June 2012 which resulted in a one-off tax charge of US$1.1m. There was a prior year adjustment for the three months ended 30 June 2011 which resulted in a one-off tax credit of US$2.9m.

The effective tax rate for the three months ended 30 June 2012 was 25.8% compared to 23.9% for the three months ended 30 June 2011. The increase in effective tax rate is primarily due to the items identified above. If the effect of the prior year adjustment is removed, the effective tax rate for the three months ended 30 June 2012 is 24.7% compared to 25.9% for the three months ended 30 June 2011. The decrease in the adjusted effective tax rate is predominantly due to the reduction in the UK main rate of corporation tax from 26% to 24%. While this reduction did not become effective until 1 April 2012, this has the effect of lowering the average UK statutory tax rate for 2012 and therefore the rate upon which the three months ended 30 June 2012 tax charge is based, to 24.5%.

Profit for the period
As a result of the factors discussed above, profit for the three months ended 30 June 2012 was US$77.1m, a decrease of US$32.7m, or 30%, compared with the three months ended 30 June 2011.

Inmarsat Global Results

Revenues

During the three months ended 30 June 2012, although revenues from Inmarsat Global were US$204.3m, a decrease of US$45.5m, or 18.2%, compared with the three months ended 30 June 2011, MSS revenues increased by US$7.6m, or 4.2%, period on period. The decrease in total revenue in the three months ended 30 June 2012 is due to a reduction in revenues recognised in relation to our Cooperation Agreement with LightSquared. Our FleetBroadband and SwiftBroadband services have shown solid growth in revenue during the three months ended 30 June 2012 compared to the same period in 2011. The revenue growth incorporates the effect of certain price increases to our FleetBroadband service as well as other maritime data services. As in recent periods, this growth has been partly offset by a continued expected decline in revenue from our BGAN and GAN services due to the combination of troop withdrawals from Afghanistan and the inclusion of significant event revenue in 2011. In addition, we experienced a decline in maritime voice revenues due to the impact of product mix changes and a decline in revenues from our older services such as Inmarsat B, Mini M, Fleet, GAN and Swift 64, period on period. The table below sets out the components of Inmarsat Global's revenue for each of the periods indicated:

	Three months ended 30 June		***Increase/ (decrease)***	**Six months ended 30 June**		***Increase/ (decrease)***
(US$ in millions)	**2012**	**2011**	***%***	**2012**	**2011**	***%***
Revenues						
Maritime sector:						
Voice services	20.0	22.9	(12.7%)	41.4	46.9	(11.7%)
Data services	85.5	66.3	29.0%	159.5	131.3	21.5%
Total maritime sector	**105.5**	**89.2**	**18.3%**	**200.9**	**178.2**	**12.7%**
Land mobile sector:						
Voice services	2.9	1.8	61.1%	5.5	3.3	66.7%
Data services	30.1	38.1	(21.0%)	60.7	77.0	(21.2%)
Total land mobile sector	**33.0**	**39.9**	**(17.3%)**	**66.2**	**80.3**	**(17.6%)**
Aviation sector	25.4	24.8	2.4%	49.4	48.6	1.6%
Leasing	25.0	27.4	(8.8%)	50.4	54.8	(8.0%)
Total MSS revenue	**188.9**	**181.3**	**4.2%**	**366.9**	**361.9**	**1.4%**
Other income (including LightSquared)	15.4	68.5	(77.5%)	74.3	110.7	(32.9%)
Total revenue	**204.3**	**249.8**	**(18.2%)**	**441.2**	**472.6**	**(6.6%)**

Total active terminal numbers as at 30 June 2012 increased by 13.3%, compared with 30 June 2011. The table below sets out the active terminals by sector for each of the periods indicated:

	As at 30 June		
(000's)	**2012**	**2011**	**Increase**
Active terminals[(a)]			
Maritime	187.6	184.7	1.6%
Land mobile	140.1	104.4	34.2%
Aviation	14.5	12.8	13.3%
Total active terminals	**342.2**	**301.9**	**13.3%**

(a) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 30 June. Active terminals also include the average number of certain handheld terminals active on a daily basis during the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M, IsatData Pro and BGAN M2M) used to access our M2M or telemetry services. At 30 June 2012, we had 221,099 (2011: 226,661) M2M terminals.

At the time of our consolidated financial results for the three months ended 31 March 2012, we announced having reached over 55,000 IsatPhone Pro subscribers. However, in our reported active terminals for land mobile, we included a lower number of approximately 49,800 terminals, the difference being the elimination of subscribers who had not used their IsatPhone Pro terminal in the preceding twelve months, in line with our definition of active terminals. In active terminals reported at 30 June 2012, we have included approximately 65,000 IsatPhone Pro terminals.

The growth of active terminals in the maritime sector is from our FleetBroadband service, where we have seen active terminal numbers grow by 39% period over period. On 19 June 2012, we reached 30,000 active FleetBroadband terminals. This growth has been partially offset by the expected decline in active terminals of older services such as Inmarsat B and Fleet. The growth of active terminals in the land mobile sector is predominantly due to our IsatPhone Pro service, which was introduced at the end of June 2010. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 65% period over period, partially offset by the decline in our other aviation services such as Swift 64.

Maritime Sector. During the three months ended 30 June 2012, revenues from the maritime sector were US$105.5m, an increase of US$16.3m, or 18.3%, compared with the three months ended 30 June 2011.

Revenues from data services in the maritime sector during the three months ended 30 June 2012 were US$85.5m, an increase of US$19.2m, or 29%, compared with the three months ended 30 June 2011. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in January and May 2012. In addition, the migration of certain leasing business into our maritime sector has contributed to our growth. During the period we have seen significant migration of end users from usage-based pricing plans to subscription-based plans with higher monthly fees and inclusive usage. We have also seen strong terminal activations and increasing average revenue per user ("ARPU"). During the three months ended 30 June 2012, we added 2,295 FleetBroadband subscribers and ended the quarter with over 30,000 active FleetBroadband terminals. Despite the overall revenue growth reported, customer migration to FleetBroadband from certain older services continues to be a constraint on 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.

Revenue from our Inmarsat B service continues to decline due to the natural run-off and migration 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 many of these customers also transitioned to our FleetBroadband service.

Revenues from voice services in the maritime sector during the three months ended 30 June 2012 were US$20.0m, a decrease of US$2.9m or 12.7% compared with the three months ended 30 June 2011. We have continued to see voice revenues being 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 also by the substitution effect of voice usage moving to email and Voice Over IP, which we record as data revenues. We continue to believe that 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 2012, revenues from the land mobile sector were US$33.0m, a decrease of US$6.9m, or 17.3%, compared with the three months ended 30 June 2011.

Revenues from data services in the land mobile sector during the three months ended 30 June 2012 were US$30.1m, a decrease of US$8.0m, or 21%, compared with the three months ended 30 June 2011. This expected decline in revenues is due to the combination of troop withdrawals from Afghanistan and the inclusion of significant event revenue in 2011. We estimate that Afghanistan and events in North Africa and Japan in the three months ended 30 June 2011 contributed US$8.7m more revenue year-over-year, compared to the three months ended 30 June 2012. Although we continue to see new growth in BGAN usage from new subscribers, this growth is unable to fully offset the impact of reduced revenue from Afghanistan and other world events.

Revenues from voice services in the land mobile sector during the three months ended 30 June 2012 were US$2.9m, an increase of US$1.1m, or 61%, compared with the three months ended 30 June 2011. The increase is due to growth in revenues from our IsatPhone Pro service, which was launched in 2010 to readdress the handheld voice opportunity. Take up of the IsatPhone Pro service has remained very strong and we ended the quarter with over 65,000 active subscribers. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth.

***Aviation Sector*.** During the three months ended 30 June 2012, revenues from the aviation sector were US$25.4m, an increase of US$0.6m, or 2.4%, compared with the three months ended 30 June 2011. We have seen strong growth in revenues from our SwiftBroadband service, period over period. However, this increase has been partially offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers.

Leasing. During the three months ended 30 June 2012, revenues from leasing were US$25.0m, a decrease of US$2.4m, or 8.8%, compared with the three months ended 30 June 2011. The decrease is predominantly due to a reduction in revenue from certain maritime contracts, some of which is now recorded in demand-assigned maritime revenues.

***Other income*.** Other income for the three months ended 30 June 2012 was US$15.4m, a decrease of US$53.1m, or 78% compared with the three months ended 30 June 2011. The decrease is primarily due to revenue recorded in respect of the LightSquared Cooperation Agreement (during the three months ended 30 June 2012 we recorded US$3.3m, compared with US$59.9m for the same period in 2011). During the three months ended 30 June 2012, we recorded US$7.5m of revenue relating to the sale of terminals and accessories (predominantly in relation to IsatPhone Pro) compared with US$5.5m in the same period in 2011. We believe IsatPhone Pro equipment sales in the three months ended 30 June 2012 increased as a result of distributors seeking to increase inventory before the implementation of a hardware price increase which became effective during April 2012. In addition, we recorded US$2.0m of non-recurring component sales in the three months ended 30 June 2012 compared to US$nil in the comparative period.

Net operating costs

Net operating costs for the three months ended 30 June 2012 decreased by 3.6% compared with the three months ended 30 June 2011. Included within net operating costs for the three months ended 30 June 2012 are net costs in relation to our Global Xpress programme totalling US$3.1m (three months ended 30 June 2011: US$2.6m) and costs in relation to the LightSquared Cooperation Agreement of US$1.6m (three months ended 30 June 2011: US$4.2m).

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 30 June 2012**	**2011**	***Increase/ (decrease) %***	**Six months ended 30 June 2012**	**2011**	***Increase/ (decrease) %***
Employee benefit costs	25.0	23.7	5.5%	49.7	48.0	3.5%
Network and satellite operations costs	10.5	11.5	(8.7%)	20.6	22.3	(7.6%)
Other operating costs	24.8	25.9	(4.2%)	52.0	46.7	11.3%
Own work capitalised	(4.8)	(3.5)	37.1%	(9.1)	(7.0)	30.0%
Net operating costs	**55.5**	**57.6**	**(3.6%)**	**113.2**	**110.0**	**2.9%**

***Impact of hedged foreign exchange rate*.** The functional currency of the Group's principal subsidiaries is US Dollars. Approximately 50% of Inmarsat Global's costs are denominated in Pounds Sterling. Inmarsat Global's hedged rate of exchange for 2012 is US$1.48/£1.00 compared to US$1.51/£1.00 in 2011, which does not give rise to a material variance in comparative costs.

Employee benefit costs. Employee benefit costs increased by US$1.3m for the three months ended 30 June 2012 compared to the three months ended 30 June 2011. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (568 at 30 June 2012 compared to 546 at 30 June 2011). Headcount has increased primarily to support our Global Xpress programme.

Network and satellite operations costs. Network and satellite operations costs for the three months ended 30 June 2012 decreased by US$1.0m compared to the three months ended 30 June 2011, primarily due to decreased in-orbit insurance costs following the contract renewal in August 2011.

Other operating costs. Other operating costs for the three months ended 30 June 2012 decreased by US$1.1m compared to the three months ended 30 June 2011. The decrease is due primarily to lower professional fees incurred in the three months ended 30 June 2012, including reduced professional fees incurred in relation to our Cooperation Agreement with LightSquared. The decrease was partially offset by higher direct cost of sales due to IsatPhone Pro terminal sales (US$2.7m) and increased interconnect charges due to increased traffic (US$1.0m).

Own work capitalised. Own work capitalised for the three months ended 30 June 2012 increased by US$1.3m compared to the three months ended 30 June 2011, predominantly a result of increased activity on our Global Xpress programme.

Operating profit

	Three months ended 30 June		***Increase/ (decrease)***	**Six months ended 30 June**		***Increase/ (decrease)***
(US$ in millions)	**2012**	**2011**	***%***	**2012**	**2011**	***%***
Total revenue	204.3	249.8	(18.2%)	441.2	472.6	(6.6%)
Net operating costs	(55.5)	(57.6)	(3.6%)	(113.2)	(110.0)	2.9%
EBITDA	**148.8**	**192.2**	**(22.6%)**	**328.0**	**362.6**	**(9.5%)**
EBITDA margin %	*72.8%*	*76.9%*		*74.3%*	*76.7%*	
EBITDA (excluding LightSquared)	147.1	136.5	10.0%	278.7	272.1	2.4%
Depreciation and amortisation	(38.0)	(40.7)	(6.6%)	(76.2)	(83.1)	(8.3%)
Operating profit	**110.8**	**151.5**	**(26.9%)**	**251.8**	**279.5**	**(9.9%)**

The decrease in operating profit for the three months ended 30 June 2012 of US$40.7m, compared to the three months ended 30 June 2011, is primarily a result of decreased revenues from our Cooperation Agreement with LightSquared. Partially offsetting the decrease was higher MSS revenues period on period and lower net operating costs and depreciation and amortisation.

Inmarsat Solutions Results

On 28 April 2011, we completed the acquisition of Ship Equip. On 13 January 2012, we completed the acquisition of NewWave. We include the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip and NewWave in a single reporting segment, Inmarsat Solutions.

Revenues

During the three months ended 30 June 2012, revenues from Inmarsat Solutions increased by 8.9%, compared with the three months ended 30 June 2011. The table below sets out the components of Inmarsat Solutions' revenues for each of the periods indicated:

	Three months ended 30 June		***Increase/ (decrease)***	**Six months ended 30 June**		***Increase/ (decrease)***
(US$ in millions)	**2012**	**2011**	***%***	**2012**	**2011**	***%***
Inmarsat MSS	103.6	106.6	(2.8%)	198.5	214.9	(7.6%)
Broadband and Other MSS[(a)]	101.8	82.0	24.1%	197.7	149.8	32.0%
Total revenue	**205.4**	**188.6**	**8.9%**	**396.2**	**364.7**	**8.6%**

(a) Includes Ship Equip from 28 April 2011 and NewWave from 13 January 2012.

Inmarsat MSS. Revenues derived from Inmarsat MSS for the three months ended 30 June 2012 decreased by US$3.0m, or 2.8%, compared with the three months ended 30 June 2011. Generally, the market sector trends we discuss in relation to our MSS revenue at our Inmarsat Global business have a very similar impact on revenues reported for Inmarsat MSS at the Inmarsat Solutions level. Growth in maritime MSS revenue at Inmarsat Solutions lagged the growth reported at the Inmarsat Global level as effective wholesale price increases, resulting from the elimination of certain volume discounts in January 2012, have not generally been passed on by Inmarsat Solutions to end users. As a result, certain price increases at the Inmarsat Global wholesale level have not resulted in equivalent revenue increases at the Inmarsat Solutions retail level.

For the three months ended 30 June 2012, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 39%, which is slightly lower than the 40% share for the three months ended 30 June 2011.

Broadband and Other MSS. 'Broadband and Other MSS' revenues primarily consist 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 our Inmarsat Government business unit (primarily drawn from the operations of Segovia), which provides secure IP managed solutions and services to United States government agencies and an element of revenues from our Inmarsat Maritime business unit (primarily drawn from the operations of Ship Equip), which provides VSAT maritime communications services, including our XpressLink service, to the shipping, offshore energy and fishing markets.

Revenues from 'Broadband and Other MSS' during the three months ended 30 June 2012 increased by US$19.8m, or 24%, compared with the three months ended 30 June 2011. The increase is due to the inclusion of Ship Equip for the full period for the three months ended 30 June 2012 compared to the period from 28 April to 30 June 2011 and increased revenues in our Inmarsat Government business unit from growth in network services and equipment sales. There were also increases in mobile terminal and equipment sales and other ancillary revenues which were partially offset by a reduction in VSAT revenues from energy operations.

Net operating costs

Net operating costs in the three months ended 30 June 2012 increased by US$19.9m, or 12.6%, compared with the three months ended 30 June 2011, primarily as a result of the inclusion of Ship Equip for the full period for the three months ended 30 June 2012 compared to the period from 28 April to 30 June 2011 and increased costs in Inmarsat Government related to the increased revenues. 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 2012	Three months ended 30 June 2011	*Increase/ (decrease) %*	Six months ended 30 June 2012	Six months ended 30 June 2011	*Increase %*
Cost of goods and services	151.3	135.1	12.0%	291.2	259.9	12.0%
Operating costs	26.2	22.5	16.4%	51.6	40.5	27.4%
Total operating costs	**177.5**	**157.6**	**12.6%**	**342.8**	**300.4**	**14.1%**
Allocated as follows:						
Employee benefit costs	29.2	26.3	11.0%	58.6	48.9	19.8%
Network and satellite operations costs[(a)]	139.9	124.5	12.4%	268.9	240.1	12.0%
Other operating costs	9.5	8.0	18.8%	17.9	13.7	30.7%
Own work capitalised	(1.1)	(1.2)	(8.3%)	(2.6)	(2.3)	13.0%
Net operating costs	**177.5**	**157.6**	**12.6%**	**342.8**	**300.4**	**14.1%**

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

Cost of goods and services. Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services, and variable labour costs related to our 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 2012 increased by US$16.2m, compared with the three months ended 30 June 2011. The increase is predominantly due to the inclusion of Ship Equip for the full period in 2012 compared to the period from 28 April to 30 June in 2011, increased cost for airtime from Inmarsat Global as a result of price increases and increased costs in Inmarsat Government, related to the increased revenues.

Operating costs. Operating costs during the three months ended 30 June 2012 increased by US$3.7m, compared with the three months ended 30 June 2011. The increase is primarily due to the inclusion of Ship Equip for the full period in 2012 compared to the period from 28 April to 30 June in 2011 and increased costs in Inmarsat Government related to an increased number of employees, increased benefits and severance costs and higher sales and marketing costs.

Operating profit

(US$ in millions)	Three months ended 30 June 2012	Three months ended 30 June 2011	*Increase/ (decrease) %*	Six months ended 30 June 2012	Six months ended 30 June 2011	*Increase/ (decrease) %*
Total revenue	205.4	188.6	8.9%	396.2	364.7	8.6%
Cost of goods and services	(151.3)	(135.1)	12.0%	(291.2)	(259.9)	12.0%
Gross margin	**54.1**	**53.5**	**1.1%**	**105.0**	**104.8**	**0.2%**
Gross margin %	*26.3%*	*28.4%*		*26.5%*	*28.7%*	
Operating costs	(26.2)	(22.5)	16.4%	(51.6)	(40.5)	27.4%
EBITDA	**27.9**	**31.0**	**(10.0%)**	**53.4**	**64.3**	**(17.0%)**
EBITDA margin %	*13.6%*	*16.4%*		*13.5%*	*17.6%*	
Depreciation and amortisation	(23.4)	(19.7)	18.8%	(46.3)	(37.1)	24.8%
Loss on disposal of assets	(0.1)	–	–	(0.1)	–	–
Share of results of associate	0.2	0.4	(50.0%)	0.6	0.7	(14.3%)
Operating profit	**4.6**	**11.7**	**(60.7%)**	**7.6**	**27.9**	**(72.8%)**

Inmarsat Solutions' operating profit for the three months ended 30 June 2012 decreased by US$7.1m, compared with the three months ended 30 June 2011. This decrease results from a decrease in EBITDA and an increase in depreciation and amortisation. The EBITDA contribution from the sales of Inmarsat MSS has decreased primarily as a result of lower revenues, an increase in the cost of airtime from Inmarsat Global and changes in product mix. This decrease has been partially offset by the inclusion of the results of Ship Equip for the full period in 2012 compared to the period from 28 April to 30 June in 2011. The increase in depreciation and amortisation is primarily a result of the inclusion of Ship Equip for the same periods and increased capital expenditures, partially offset by a decrease in amortisation as a result of the reduction in the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil at the end of 2011.

Gross margin consists of revenues less cost of goods and services. Gross margin has increased slightly in the three months ended 30 June 2012 compared to the three months ended 30 June 2011 due to the increased revenue. The gross margin percentage for the three months ended 30 June 2012 decreased as a result of the above noted decline in Inmarsat MSS revenue along with the increased cost and changes in product mix, as well as a reduced gross margin percentage in Inmarsat Government as a result of the newer revenues being at lower margins and changes in product mix. These decreases have been partially offset by the additional operations of Ship Equip which has a higher gross margin.

Group liquidity and capital resources

At 30 June 2012, the Group had cash and cash equivalents of US$375.6m and available but undrawn borrowing facilities of US$1,102.7m 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 foreseeable future. In addition, we remain well-positioned to access the capital markets when needed to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

In April 2012, we issued a further US$200m aggregate principal amount of our Senior Notes due 2017. The aggregate gross proceeds of US$212m, including US$12m premium on issuance, have been made available for general corporate purposes. We capitalised the issuance costs in relation to the issue of the additional Senior Notes due 2017.

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 our borrowing facilities and debt securities.

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

(US$ in millions)	**As at 30 June 2012**	**As at 31 December 2011**
EIB Facility	282.7	308.4
Ex-Im Bank Facility	347.3	277.3
Senior Notes due 2017	850.0	650.0
– Net issuance premium/(discount)	8.2	(3.6)
Intercompany loan	–	6.0
Deferred satellite payments	32.0	34.7
Bank overdrafts	5.0	1.2
Total borrowings	**1,525.2**	**1,274.0**
Cash and cash equivalents	(375.6)	(165.7)
Net Borrowings (gross of deferred finance costs)	**1,149.6**	**1,108.3**

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

	Three months ended 30 June		**Six months ended 30 June**	
(US$ in millions)	**2012**	**2011**	**2012**	**2011**
Net cash from operating activities	177.1	247.7	362.1	475.6
Net cash from/(used in) investing activities, excluding capital expenditure	0.3	(113.2)	(13.1)	(131.7)
Capital expenditure, including own work capitalised	(137.3)	(126.2)	(246.3)	(160.7)
Dividends paid	(150.0)	(104.5)	(150.0)	(104.5)
Net cash from/(used in) financing activities, excluding dividends paid	211.6	(196.9)	252.9	(203.8)
Foreign exchange adjustment	1.0	0.1	0.5	(0.2)
Net increase/(decrease) in cash and cash equivalents	**102.7**	**(293.0)**	**206.1**	**(125.3)**

The decrease in net cash generated from operating activities in the three months ended 30 June 2012, compared to the three months ended 30 June 2011, of US$70.6m primarily relates to decreased EBITDA in the three months ended 30 June 2012 and movements in working capital, due to the timing of receipts from LightSquared in respect of our Cooperation Agreement.

Net cash from investing activities, excluding capital expenditure, in the three months ended 30 June 2012 was US$0.3m compared to cash used in investing activities, excluding capital expenditure of US$113.2m in the three months ended 30 June 2011. During the three months 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$11.1m in the three months ended 30 June 2012, compared to the three months ended 30 June 2011, primarily due to expenditure on our Global Xpress programme. Capital expenditure may fluctuate with the timing of milestone payments on current projects.

During the three months ended 30 June 2012 the Company paid dividends of US$150.0m, compared with US$104.5m in the three months ended 30 June 2011.

Net cash from financing activities, excluding the payment of dividends, in the three months ended 30 June 2012 was US$211.6m compared to cash used in financing activities of US$196.9m in the three months ended 30 June 2011. During the three months ended 30 June 2012, we received gross issuance proceeds of US$212.0m on the April 2012 issue of additional Senior Notes due 2017, we drew down US$19.9m of our Ex-Im Bank Facility and received US$46.8m of intercompany funding. In addition, we paid cash interest of US$37.1m, repaid US$25.7m of our EIB Facility and paid fees in relation to debt issuance of US$4.2m.

During the three months 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 fees in relation to debt issuance of US$8.6m. In addition, we received US$88.0m from the drawdown of our Ex-Im Bank Facility during the three months ended 30 June 2011.

Group free cash flow

	Three months ended 30 June		**Six months ended 30 June**	
(US$ in millions)	**2012**	**2011**	**2012**	**2011**
Cash generated from operations	204.2	271.5	402.1	514.8
Capital expenditure, including own work capitalised	(137.3)	(126.2)	(246.3)	(160.7)
Net cash interest paid	(36.5)	(31.0)	(44.5)	(36.8)
Cash tax paid	(27.7)	(24.4)	(41.2)	(40.7)
Free cash flow	**2.7**	**89.9**	**70.1**	**276.6**

Free cash flow decreased by US$87.2m, or 97%, during the three months ended 30 June 2012, compared to the three months ended 30 June 2011. The decrease is primarily due a reduction in cash generated from operations and an increase in capital expenditure. In addition, there was an increase in net cash interest paid and cash tax paid.

Recent Events

Subsequent to 30 June 2012, 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 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenues	**329.4**	**359.0**	**684.2**	**682.9**
Employee benefit costs	(54.2)	(50.1)	(108.3)	(96.9)
Network and satellite operations costs	(73.8)	(57.7)	(141.2)	(109.0)
Other operating costs	(31.3)	(33.2)	(65.1)	(59.5)
Own work capitalised	5.9	4.7	11.7	9.3
Total net operating costs	**(153.4)**	**(136.3)**	**(302.9)**	**(256.1)**
EBITDA	**176.0**	**222.7**	**381.3**	**426.8**
Depreciation and amortisation	(61.4)	(60.4)	(122.5)	(120.2)
Loss on disposal of assets	(0.1)	–	(0.1)	–
Share of results of associates	0.2	0.4	0.6	0.7
Operating profit	**114.7**	**162.7**	**259.3**	**307.3**
Interest receivable and similar income	0.4	3.6	0.8	4.2
Interest payable and similar charges	(11.2)	(22.1)	(23.2)	(42.5)
Net interest payable	(10.8)	(18.5)	(22.4)	(38.3)
Profit before income tax	**103.9**	**144.2**	**236.9**	**269.0**
Income tax expense	(26.8)	(34.4)	(55.8)	(67.2)
Profit for the period	**77.1**	**109.8**	**181.1**	**201.8**
Attributable to:				
Equity holders	**77.1**	**109.7**	**181.0**	**201.7**
Non-controlling interest	**–**	**0.1**	**0.1**	**0.1**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(US$ in millions)	Three months ended 30 June 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Profit for the period	**77.1**	**109.8**	**181.1**	**201.8**
Other comprehensive income/(loss)				
Actuarial gains/(losses) from pension and post-retirement healthcare benefits	8.0	(0.8)	8.0	(0.8)
Net (losses)/gains on cash flow hedges	(2.8)	(2.5)	0.6	11.1
Tax (charged)/credited directly to equity	(2.0)	1.0	(3.3)	(1.4)
Other comprehensive income/(loss) for the period, net of tax	**3.2**	**(2.3)**	**5.3**	**8.9**
Total comprehensive income for the period, net of tax	**80.3**	**107.5**	**186.4**	**210.7**
Attributable to:				
Equity holders	**80.3**	**107.4**	**186.3**	**210.6**
Non-controlling interest	**–**	**0.1**	**0.1**	**0.1**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(US$ in millions)	As at 30 June 2012	As at 31 December 2011
Assets		
Non-current assets		
Property, plant and equipment	1,944.0	1,820.1
Intangible assets	1,073.6	1,081.7
Investments	30.9	31.0
Other receivables	8.8	4.2
Derivative financial instruments	0.6	0.1
	3,057.9	**2,937.1**
Current assets		
Cash and cash equivalents	375.6	165.7
Trade and other receivables	274.6	260.3
Inventories	21.5	23.5
Derivative financial instruments	7.2	7.8
	678.9	**457.3**
Total assets	**3,736.8**	**3,394.4**
Liabilities		
Current liabilities		
Borrowings	57.3	53.2
Trade and other payables	627.2	682.2
Provisions	0.4	2.9
Current income tax liabilities	78.3	60.4
Derivative financial instruments	18.0	14.2
	781.2	**812.9**
Non-current liabilities		
Borrowings	1,438.0	1,194.9
Other payables	25.0	28.1
Provisions	22.9	26.7
Deferred income tax liabilities	110.5	109.5
Derivative financial instruments	4.5	9.1
	1,600.9	**1,368.3**
Total liabilities	**2,382.1**	**2,181.2**
Net assets	**1,354.7**	**1,213.2**
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.4	677.4
Other reserves	366.6	362.3
Retained earnings	309.3	172.2
Equity attributable to shareholders of the parent	**1,353.7**	**1,212.3**
Non-controlling interest	1.0	0.9
Total equity	**1,354.7**	**1,213.2**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(US$ in millions)	Ordinary share capital	Share premium account	Share Option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital contribution reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2011 (audited)	**0.4**	**677.4**	**35.5**	**(7.5)**	**0.6**	**–**	**2.1**	**312.9**	**0.7**	**1,022.1**
Share options charge	–	–	4.2	–	–	–	–	–	–	4.2
Dividends payable	–	–	–	–	–	–	–	(104.5)	–	(104.5)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	201.7	0.1	201.8
Other Comprehensive Income – before tax	–	–	–	11.1	–	–	–	(0.8)	–	10.3
Other Comprehensive Income - tax	–	–	–	(1.7)	–	–	–	0.3	–	(1.4)
Balance at 30 June 2011 (unaudited)	**0.4**	**677.4**	**39.7**	**1.9**	**0.6**	**–**	**2.1**	**409.6**	**0.8**	**1,132.5**
Balance at 1 January 2012 (audited)	**0.4**	**677.4**	**44.9**	**(11.4)**	**0.6**	**0.4**	**327.8**	**172.2**	**0.9**	**1,213.2**
Share options charge	–	–	5.1	–	–	–	–	–	–	5.1
Dividends payable	–	–	–	–	–	–	–	(50.0)	–	(50.0)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	181.0	0.1	181.1
Other Comprehensive Income – before tax	–	–	–	0.6	–	–	–	8.0	–	8.6
Other Comprehensive Income - tax	–	–	–	(1.4)	–	–	–	(1.9)	–	(3.3)
Balance at 30 June 2012 (unaudited)	**0.4**	**677.4**	**50.0**	**(12.2)**	**0.6**	**0.4**	**327.8**	**309.3**	**1.0**	**1,354.7**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US$ in millions)	Three months ended 30 June 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flow from operating activities				
Cash generated from operations	204.2	271.5	402.1	514.8
Interest received	0.6	0.6	1.2	1.5
Income taxes paid	(27.7)	(24.4)	(41.2)	(40.7)
Net cash flow from operating activities	**177.1**	**247.7**	**362.1**	**475.6**
Cash flow from investing activities				
Purchase of property, plant and equipment	(129.1)	(117.4)	(226.0)	(141.0)
Additions to capitalised development costs, including software	(3.2)	(4.4)	(7.6)	(9.1)
Own work capitalised	(5.0)	(4.4)	(12.7)	(10.6)
Acquisition of subsidiaries and other investments	0.3	(113.2)	(13.1)	(131.7)
Net cash used in investing activities	**(137.0)**	**(239.4)**	**(259.4)**	**(292.4)**
Cash flow from financing activities				
Dividends paid	(150.0)	(104.5)	(150.0)	(104.5)
Repayment of Previous Senior Credit Facility	–	(200.0)	–	(200.0)
Repayment of EIB Facility	(25.7)	–	(25.7)	–
Drawdown of Ex-Im Bank Facility	19.9	88.0	70.0	88.0
Gross issuance proceeds of Senior Notes due 2017	212.0	–	212.0	–
Repayment of Ship Equip long-term debt	–	(44.7)	–	(44.7)
Interest paid on borrowings	(37.1)	(31.6)	(45.7)	(38.3)
Arrangement costs of new borrowing facilities	(4.2)	(8.6)	(6.1)	(8.8)
Intercompany funding	46.8	–	48.6	–
Other financing activities	(0.1)	–	(0.2)	–
Net cash from/(used in) financing activities	**61.6**	**(301.4)**	**102.9**	**(308.3)**
Foreign exchange adjustment	1.0	0.1	0.5	(0.2)
Net increase/(decrease) in cash and cash equivalents	**102.7**	**(293.0)**	**206.1**	**(125.3)**
Movement in cash and cash equivalents				
At beginning of period	267.9	490.1	164.5	322.4
Net increase/(decrease) in cash and cash equivalents	102.7	(293.0)	206.1	(125.3)
As reported on balance sheet (net of bank overdrafts)	**370.6**	**197.1**	**370.6**	**197.1**
At end of period, comprising				
Cash at bank and in hand	42.8	75.5	42.8	75.5
Short-term deposits with original maturity of less than 3 months	332.8	125.0	332.8	125.0
Bank overdrafts	(5.0)	(3.4)	(5.0)	(3.4)
	370.6	**197.1**	**370.6**	**197.1**

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 3 August 2012.

The financial information for the year ended 31 December 2011 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 2012 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 2011, 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 2011 annual consolidated financial statements prepared under IFRS, set out on pages 10 to 61. Operating results for the period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012. The consolidated balance sheet as at 31 December 2011 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:
    - IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011);
    - IAS 12 (as amended) – Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012).

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 are well placed to manage their 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 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.

In particular, the calculation of the Group's tax balances and of its potential liabilities or assets necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. The amounts recognised or disclosed are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

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:

	Three months ended 30 June 2012					Six months ended 30 June 2012				
(US$ in millions)	Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total
Revenues										
External sales	127.2	202.2	–	–	329.4	294.2	390.0	–	–	684.2
Inter-segment	77.1	3.2	–	(80.3)	–	147.0	6.2	–	(153.2)	–
Total revenues	**204.3**	**205.4**	**–**	**(80.3)**	**329.4**	**441.2**	**396.2**	**–**	**(153.2)**	**684.2**
EBITDA	**148.8**	**27.9**	**–**	**(0.7)**	**176.0**	**328.0**	**53.4**	**–**	**(0.1)**	**381.3**
Segment result (operating profit) before operating profit from LightSquared	109.1	4.6	–	(0.7)	113.0	202.5	7.6	–	(0.1)	210.0
Operating profit from LightSquared	1.7	–	–	–	1.7	49.3	–	–	–	49.3
Segment result (operating profit)	**110.8**	**4.6**	**–**	**(0.7)**	**114.7**	**251.8**	**7.6**	**–**	**(0.1)**	**259.3**
Net interest charged to the Income Statement	–	–	(10.8)	–	(10.8)	–	–	(22.4)	–	(22.4)
Profit before income tax					**103.9**					**236.9**
Income tax expense					(26.8)					(55.8)
Profit for the period					**77.1**					**181.1**
Segment assets	2,871.9	931.5	378.6	(445.2)	3,736.8	2,871.9	931.5	378.6	(445.2)	3,736.8
Segment liabilities	(519.6)	(152.3)	(1,788.3)	78.1	(2,382.1)	(519.6)	(152.3)	(1,788.3)	78.1	(2,382.1)
Investment (included in segment assets)[(b)]	23.5	–	–	–	23.5	23.5	–	–	–	23.5
Capital expenditure[(c)]	(110.8)	(21.4)	–	–	(132.2)	(203.7)	(25.3)	–	–	(229.0)
Depreciation	(33.3)	(11.9)	–	–	(45.2)	(66.8)	(23.4)	–	–	(90.2)
Amortisation of intangible assets	(4.7)	(11.5)	–	–	(16.2)	(9.4)	(22.9)	–	–	(32.3)

(a) Includes NewWave Broadband Limited (“NewWave”) from 13 January 2012.
(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 2011 Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total	Six months ended 30 June 2011 Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total
Revenues										
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 revenues	**249.8**	**188.6**	**–**	**(79.4)**	**359.0**	**472.6**	**364.7**	**–**	**(154.4)**	**682.9**
EBITDA	**192.2**	**31.0**	**–**	**(0.5)**	**222.7**	**362.6**	**64.3**	**–**	**(0.1)**	**426.8**
Segment result (operating profit) before operating profit from LightSquared	95.8	11.7	–	(0.5)	107.0	189.0	27.9	–	(0.1)	216.8
Operating profit from LightSquared	55.7	–	–	–	55.7	90.5	–	–	–	90.5
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 period					**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 from 28 April 2011.
(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 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest on Senior Notes and credit facilities	(20.9)	(15.3)	(38.3)	(31.1)
Interest on Inmarsat Solutions borrowings	(0.1)	–	(0.2)	–
Pension and post-retirement liability finance costs	0.4	(0.3)	–	(1.6)
Interest rate swaps	(2.2)	(3.5)	(4.5)	(6.9)
Unwinding of discount on deferred satellite liabilities	(0.5)	(0.6)	(1.1)	(1.3)
Unwinding of discount on deferred consideration	–	(1.0)	–	(2.4)
Amortisation of debt issue costs	(1.5)	(5.5)	(3.0)	(7.2)
Net amortisation of discount on Senior Notes due 2017	0.2	(0.1)	–	(0.3)
Intercompany interest	(0.3)	(0.1)	(0.4)	(0.2)
Other interest	–	(0.4)	(0.1)	(0.4)
Interest payable and similar charges	**(24.9)**	**(26.8)**	**(47.6)**	**(51.4)**
Less: Amounts included in the cost of qualifying assets	13.7	4.7	24.4	8.9
Total interest payable and similar charges	**(11.2)**	**(22.1)**	**(23.2)**	**(42.5)**
Bank interest receivable and other interest	0.3	3.6	0.7	4.2
Net amortisation of premium on Senior Notes due 2017	0.1	–	0.1	–
Total interest receivable and similar income	**0.4**	**3.6**	**0.8**	**4.2**
Net interest payable	**(10.8)**	**(18.5)**	**(22.4)**	**(38.3)**

5. Net borrowings

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

	As at 30 June 2012			As at 31 December 2011		
(US$ in millions)	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	5.0	–	5.0	1.2	–	1.2
Deferred satellite payments	8.2	–	8.2	7.9	–	7.9
EIB Facility[(a)]	44.1	–	44.1	44.1	–	44.1
Total current borrowings	**57.3**	**–**	**57.3**	**53.2**	**–**	**53.2**
Non-current:						
Deferred satellite payments	23.8	–	23.8	26.8	–	26.8
Senior Notes due 2017[(b)]	850.0	(12.1)	837.9	650.0	(9.2)	640.8
– Net issuance premium/(discount)	8.2	–	8.2	(3.6)	–	(3.6)
EIB Facility[(a)]	238.6	(1.9)	236.7	264.3	(2.2)	262.1
Ex-Im Bank Facility[(c)]	347.3	(15.9)	331.4	277.3	(14.5)	262.8
Intercompany loan	–	–	–	6.0	–	6.0
Total non-current borrowings	**1,467.9**	**(29.9)**	**1,438.0**	**1,220.8**	**(25.9)**	**1,194.9**
Total Borrowings[(d)]	**1,525.2**	**(29.9)**	**1,495.3**	**1,274.0**	**(25.9)**	**1,248.1**
Cash and cash equivalents	(375.6)	–	(375.6)	(165.7)	–	(165.7)
Net Borrowings	**1,149.6**	**(29.9)**	**1,119.7**	**1,108.3**	**(25.9)**	**1,082.4**

(a) On 15 April 2010, we signed an eight-year facility agreement with 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 on both tranches beginning 30 April 2012. The first repayment of US$25.7m was made in April 2012. Interest is equal to three-month USD LIBOR plus a margin payable in April, July, October and January each year.

(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. On 11 April 2012, we issued a further US$200.0m aggregate principal amount of our Senior Notes due 2017. The aggregate proceeds were US$212.0m, including US$12.0m premium on issuance and we capitalised US$3.8m of issuance costs.

(c) 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 four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.

(d) 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 five-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 five-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. As at 30 June 2012, there were no drawings on the Senior Credit Facility.

6. Acquisition of NewWave Broadband Limited

Following on from our acquisition of Ship Equip in April 2011, on 13 January 2012 we acquired 100% of the outstanding shares of NewWave Broadband Limited ("NewWave") for a total cash consideration of US$7.7m (net of cash acquired). NewWave sources and manages satellite capacity exclusively for Ship Equip, as well as providing maintenance services for certain Ship Equip network assets. The operations of NewWave have been integrated within our Inmarsat Solutions business.

NewWave has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combination'. We have provisionally recognised US$8.8m of goodwill in relation to the acquisition. The final purchase price allocation will be finalised in due course in line with IFRS 3. The Group has not presented a full acquisition note in line with IFRS 3 as the acquisition is not considered to be material.

7. Events after the balance sheet date

The Chancellor, in the Budget on 21 March 2012, announced a reduction in the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. This rate change was substantively enacted on 3 July 2012. The Government also announced the intention to further reduce the main rate of corporation tax by 1% to 22% with effect from 1 April 2014.

The deferred tax assets and liabilities in the accounts are calculated at the substantively enacted rate at the balance sheet date of 24%. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would reduce the value of the group's deferred tax liabilities at the balance sheet date by approximately US$11.5m and reduce the value of the group's deferred tax assets at the balance sheet date by approximately US$0.8m.

Subsequent to 30 June 2012, 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.