

INMARSAT GROUP LIMITED

**CONDENSED CONSOLIDATED
FINANCIAL RESULTS**

**For the three and nine months ended
30 September 2010
(unaudited)**

Forward-Looking Statements

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

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

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

Non-IFRS Measures

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

Net Borrowings

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

Free cash flow

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

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

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

EBITDA

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

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

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

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Operating and Financial Review

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

Overview

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

The Group’s revenues for the three months ended 30 September 2010 were US\$308.8m (2009: US\$260.0m), operating profit was US\$130.2m (2009: US\$106.0m) and EBITDA was US\$189.5m (2009: US\$160.0m). The results of the Group’s operations are reported in US dollars as the majority of revenues and borrowings are denominated in US dollars.

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

On 6 August 2010, Inmarsat plc (the Group’s ultimate parent company) announced a major new investment project called Inmarsat-5. Inmarsat-5 will comprise a global network of Ka-band satellites, primarily focused on providing super high bandwidth services to the wider MSS markets in maritime, energy and government, which represent incremental long term growth opportunities. The total expected cost of the Inmarsat-5 programme is US\$1.2bn and we expect to bring the network into commercial service in 2014. We have agreed a contract with Boeing Satellite Systems International, Inc (“Boeing”) for the delivery of three Ka-band satellites. Under a separate arrangement, Boeing has agreed to become a distribution partner for Inmarsat’s Ka-band services and has pre-committed to capacity purchases representing more than 10% of Inmarsat’s target Ka-band revenues in the first five years after service launch.

LightSquared Cooperation Agreement

On 17 August 2010, we received notice from LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together “LightSquared”) triggering Phase 1A of a Cooperation Agreement signed between Inmarsat and LightSquared.

Under the Cooperation Agreement, originally signed in December 2007 and amended on 6 August 2010, Inmarsat and LightSquared agreed a plan to enable the re-banding and efficient reuse of L-band radio spectrum covering North America. The agreement is designed to increase the contiguous spectrum available to support the development of 4G ancillary terrestrial component (“ATC”) services and to protect the continued deployment and growth of MSS activities in North America.

In order to implement Phase 1A, Inmarsat has begun a process of transition to a modified spectrum plan to increase spectrum contiguity for both Inmarsat and LightSquared, which is

expected to take 18 months. In addition, Inmarsat will incur the cost of certain network modifications. During this process, LightSquared will make a series of payments to Inmarsat totalling US\$337.5m. To date, LightSquared have made payments totalling US\$112.5m, which includes US\$31.25m paid in December 2009 to maintain the cooperation. We will be accounting for these and future Phase 1A payments using the percentage of completion approach based on effort and costs. During the three months ended 30 September 2010, we recognised US\$9.8m of revenue in relation to Phase 1A of the Cooperation Agreement. During the fourth quarter we currently estimate that we will recognise US\$10.0m to US\$15.0m of revenue in relation to Phase 1A.

As a result of the Phase 1A notice, LightSquared will have a further Phase 2 option until 1 January 2013. Under the Phase 2 option Inmarsat will additionally support LightSquared's business plan in return for payments totaling US\$115.0m per annum effective from the giving of a Phase 2 notice. An implementation of Phase 2 by Inmarsat would involve a 30-month transition process.

Harbinger Capital Partners

On 5 October, Harbinger Capital Partners ("Harbinger") confirmed the sale of 65m ordinary shares, or 14.1% of the issued share capital. As a result of the sale, Harbinger's total interest in the ordinary shares of Inmarsat plc was reduced to 14%. In an announcement on 4 October 2010, Harbinger stated that it no longer intended to make an offer to acquire the issued share capital of Inmarsat plc not already held by Harbinger.

Inmarsat Services

The IsatPhone Pro, Inmarsat's first global handheld satellite phone, entered commercial service at the end of June 2010. Global roll-out of the IsatPhone Pro by our distribution partners has started well and while revenues from this service are not yet material, early indications are very encouraging. The service has been performing well and initial feedback from customers and distributors has been positive. We believe that the IsatPhone Pro will enhance our land voice offering and enable us to win customers in the handheld voice market and gain market share from established operators.

On 15 September 2010, an announcement was made that AP Moller – Maersk, one of the world's largest shipping companies, had signed a further contract for one of our service providers, Marlink, to provide FleetBroadband airtime services to an additional 200 Maersk vessels. In September 2008, AP Moller – Maersk signed a contract with Marlink for a large-scale retrofit of our FleetBroadband service across its Maersk Supply Service and Maersk Tankers Fleet. Together with the new contract, this brings the total number of AP Moller – Maersk vessels to be converted to the FleetBroadband service to 370.

On 11 October 2010, Singapore Airlines announced it plans to offer OnAir's Inmarsat-supported passenger connectivity services on a large part of its fleet from the first half of 2011. The Singapore national carrier has chosen OnAir's GSM/GPRS mobile phone and WiFi internet access services for implementation in its Airbus A340-500s and A380s and Boeing 777-300ERs. The mobile telephony services will enable passengers to send SMS text messages with their GSM-compatible mobile phones, send and receive email messages on smartphones and Blackberry devices and make and receive voice calls.

Group Reorganisation and Stratos Refinancing

As previously disclosed, on 30 June 2010, we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos and its subsidiaries), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited and is subject to the terms of Inmarsat's outstanding debt, including the 7.375% Senior Notes due 2017. In connection with the Group Reorganisation,

Stratos repaid all of its previously outstanding indebtedness. The repayment of the Stratos debt was funded using available liquidity from within the Group.

We have accounted for the Group Reorganisation using merger accounting principles. For the consolidated results of Inmarsat Group Limited, the adoption of merger accounting presents Inmarsat Group Limited as if it had always been the parent undertaking of the new group of companies i.e. including the results of Stratos and its subsidiaries for the three and nine months ended 30 September 2010. The comparative results for the three and nine months ended 30 September 2009 have been restated.

Dividends

On 28 September 2010, the Board declared and recorded an interim dividend of US\$64.3m. Inmarsat plc paid an interim dividend of 14.00 cents (US dollars) per ordinary share to its shareholders on 29 October 2010.

Total Group Results

The results reported reflect the consolidated results of operations and financial condition of Inmarsat Group Limited for the three and nine months ended 30 September 2010. We report two operating segments, namely Inmarsat Global and Stratos. The Stratos segment includes Segovia, Inc. ("Segovia"), which we acquired on 12 January 2010. The results for the three and nine months ended 30 September 2009 have been restated to reflect the Group Reorganisation. The table below sets out the results of the Group for the periods indicated:

(US\$ in millions)	Three months ended 30 September		Increase/ (decrease) %	Nine months ended 30 September		Increase/ (decrease) %
	2010	2009		2010	2009	
Revenue	308.8	260.0	18.8%	879.5	768.7	14.4%
Employee benefit costs	(44.5)	(43.8)	1.6%	(136.5)	(138.1)	(1.2%)
Network and satellite operations costs	(55.2)	(44.5)	24.0%	(164.6)	(140.9)	16.8%
Other operating costs	(24.3)	(17.3)	40.5%	(67.5)	(57.8)	16.8%
Own work capitalised	4.7	5.6	(16.1%)	12.9	16.7	(22.8%)
Total net operating costs	(119.3)	(100.0)	19.3%	(355.7)	(320.1)	11.1%
EBITDA	189.5	160.0	18.4%	523.8	448.6	16.8%
Depreciation and amortisation	(59.6)	(57.3)	4.0%	(174.5)	(173.8)	0.4%
Share of results of associates	0.3	0.3	–	0.9	0.7	28.6%
Gain on disposal of assets	–	1.7	(100.0%)	–	3.2	(100.0%)
Goodwill adjustment	–	1.3	(100.0%)	–	(8.8)	(100.0%)
Operating profit	130.2	106.0	22.8%	350.2	269.9	29.8%
Interest receivable and similar income	0.3	0.6	(50.0%)	1.6	2.2	(27.3%)
Interest payable and similar charges	(25.1)	(30.1)	(16.6%)	(92.9)	(98.3)	(5.5%)
Net interest payable	(24.8)	(29.5)	(15.9%)	(91.3)	(96.1)	(5.0%)
Profit before income tax	105.4	76.5	37.8%	258.9	173.8	49.0%
Income tax expense	(27.5)	(26.5)	3.8%	(72.9)	(49.7)	46.7%
Profit for the period	77.9	50.0	55.8%	186.0	124.1	49.9%

Revenues

Total Group revenues for the three months ended 30 September 2010 increased by 18.8%, compared with the three months ended 30 September 2009. The table below sets out the components, by segment, of the Group's total revenue for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2010	2009	Increase %	2010	2009	Increase %
Inmarsat Global	201.2	176.7	13.9%	569.0	513.3	10.9%
Stratos	186.0	160.1	16.2%	541.8	477.3	13.5%
	387.2	336.8	15.0%	1,110.8	990.6	12.1%
Intercompany eliminations and adjustments	(78.4)	(76.8)		(231.3)	(221.9)	
Total revenue	308.8	260.0	18.8%	879.5	768.7	14.4%

Net operating costs

Total Group net operating costs for the three months ended 30 September 2010 increased by 19.3%, compared with the three months ended 30 September 2009. The table below sets out the components, by segment, of the Group's net operating costs for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2010	2009	Increase %	2010	2009	Increase %
Inmarsat Global	48.6	43.6	11.5%	138.5	137.8	0.5%
Stratos	148.9	133.2	11.8%	449.2	402.2	11.7%
	197.5	176.8	11.7%	587.7	540.0	8.8%
Intercompany eliminations and adjustments	(78.2)	(76.8)		(232.0)	(219.9)	
Total net operating costs	119.3	100.0	19.3%	355.7	320.1	11.1%

EBITDA

Group EBITDA for the three months ended 30 September 2010 increased by 18.4%, compared with the three months ended 30 September 2009, primarily as a result of the inclusion of the results of Segovia from 12 January 2010, the inclusion of revenue from our Cooperation Agreement with LightSquared and increased underlying revenues. The increase is partially offset by increased underlying Group operating costs in the period. For the above reasons, EBITDA margin has remained relatively constant at 61.4% for the three months ended 30 September 2010 compared with 61.5% for the three months ended 30 September 2009.

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 30 September			Nine months ended 30 September		
	2010	2009	Increase/ (decrease) %	2010	2009	Increase/ (decrease) %
Profit for the period	77.9	50.0	55.8%	186.0	124.1	49.9%
Add back:						
Income tax expense	27.5	26.5	3.8%	72.9	49.7	46.7%
Net interest payable	24.8	29.5	(15.9%)	91.3	96.1	(5.0%)
Depreciation and amortisation	59.6	57.3	4.0%	174.5	173.8	0.4%
Share of results of associates	(0.3)	(0.3)	–	(0.9)	(0.7)	28.6%
Gain on disposal of fixed assets	–	(1.7)	(100.0%)	–	(3.2)	(100.0%)
Goodwill adjustment	–	(1.3)	(100.0%)	–	8.8	(100.0%)
EBITDA	189.5	160.0	18.4%	523.8	448.6	16.8%
EBITDA margin %	61.4%	61.5%		59.6%	58.4%	

Depreciation and amortisation

The increase in depreciation and amortisation of US\$2.3m for the three months ended 30 September 2010 is due to the inclusion of the results of Segovia from 12 January 2010 and depreciation of assets relating to our Global Satellite Phone Service ("GSPS") following

commercial launch at the end of June 2010, partially offset by a reduction in depreciation due to four out of the five Inmarsat-3 satellites becoming fully depreciated.

Gain on disposal of assets

No gain on disposal of assets was recognised during the three months ended 30 September 2010. The gain on disposal of assets recognised during the three months ended 30 September 2009 of US\$1.7m arose from the transfer and disposal of assets within Stratos.

Share of results of associates

During the three months ended 30 September 2010, we recorded US\$0.3m in respect of earnings from associates, the same as in the three months ended 30 September 2009. The earnings from associates arose from equity accounted investments held by Stratos.

Goodwill adjustment

No adjustment to goodwill was recorded during the three months ended 30 September 2010. During the three months ended 30 September 2009, we recorded a US\$1.3m adjustment to the carrying amount of goodwill following the recognition of a deferred tax asset relating to unutilised capital allowances arising in Stratos' UK entities.

Operating profit

As a result of the factors discussed above, operating profit during the three months ended 30 September 2010 was US\$130.2m, an increase of US\$24.2m, or 22.8%, compared with the three months ended 30 September 2009.

Interest

Net interest payable for the three months ended 30 September 2010 was US\$24.8m, a decrease of US\$4.7m, or 15.9%, compared with the three months ended 30 September 2009.

Interest payable for the three months ended 30 September 2010 was US\$25.1m, a decrease of US\$5.0m, or 16.6%, compared with the three months ended 30 September 2009. The decrease is due to the reduction of intercompany interest payable to Inmarsat plc and interest on the Stratos borrowings following the Group Reorganisation and Stratos Refinancing earlier in the year. In addition, intercompany interest payable decreased due to the partial repayment of the Subordinated Intercompany Parent Company Loan from Inmarsat Holdings Limited, following the redemption of the Senior Discount Notes in November 2009.

Partially offsetting the decrease was the increase in interest due to the issue of the Senior Notes due 2017 in November 2009 and the unrealised foreign exchange loss of US\$3.1m on pension and post-retirement scheme liabilities. In addition, during the three months ended 30 September 2010 we recorded interest of US\$1.4m due to the unwinding discount on the Segovia deferred consideration and increased amortisation of debt issue costs of US\$0.9m following the capitalisation of costs relating to refinancing activity in 2009.

Profit before tax

For the three months ended 30 September 2010, profit before tax was US\$105.4m, an increase of US\$28.9m, or 37.8% compared with the three months ended 30 September 2009. The increase is due primarily to the inclusion of Segovia's results from 12 January 2010, the inclusion of revenue in respect of our Cooperation Agreement with LightSquared and increased underlying Group revenues. The increase is partially offset by increased underlying Group operating costs in the period.

Income tax expense

The tax charge for the three months ended 30 September 2010 was US\$27.5m, an increase of US\$1.0m, or 3.8%, compared with the three months ended 30 September 2009. The increase in the tax charge is largely driven by the underlying increase in profits for the three months ended 30 September 2010 and the inclusion of the results of Segovia from 12 January 2010.

The effective tax rate decreased from 34.6% for the three months ended 30 September 2009 to 26.1% for the three months ended 30 September 2010. The decrease in the effective tax rate is partly due to a one-off tax debit of US\$1.3m recognised during the three months ended 30 September 2009, which arose from the recognition of a deferred tax asset relating to

unutilised capital allowances in Stratos' UK entities. In addition, it was reduced by a positive variation in the mix of overseas profits. The cumulative effective tax rate for the nine months ended 30 September 2010 was 28.2%, which is in line with the 28.6% in the nine month period to 30 September 2009.

Profit for the period

As a result of the factors discussed above, profit for the three months ended 30 September 2010 was US\$77.9m, an increase of US\$27.9m, or 55.8%, compared with the three months ended 30 September 2009.

Inmarsat Global Results

Revenues

Revenues for the three months ended 30 September 2010 increased by 13.9%, compared with the three months ended 30 September 2009. Growth in MSS revenues accounted for 6.1% of the overall percentage revenue growth period over period. Revenues from the Lightsquared Cooperation Agreement accounted for 5.5% and revenues from the sale of terminals accounted for 1.9%, of the overall percentage growth in revenue period over period. The growth in MSS revenues has been driven by services such as BGAN, Swift 64 and FleetBroadband, as well as from new leasing business. The table below sets out the components of Inmarsat Global's revenue for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September		Increase/ (decrease) %	Nine months ended 30 September		Increase/ (decrease) %
	2010	2009		2010	2009	
Revenues						
Maritime sector:						
Voice services	24.5	25.9	(5.4%)	73.4	79.0	(7.1%)
Data services	67.1	63.2	6.2%	195.9	186.8	4.9%
Total maritime sector	91.6	89.1	2.8%	269.3	265.8	1.3%
Land mobile sector:						
Voice services	1.4	1.8	(22.2%)	5.4	6.5	(16.9%)
Data services	34.6	37.0	(6.5%)	110.4	102.3	7.9%
Total land mobile sector	36.0	38.8	(7.2%)	115.8	108.8	6.4%
Aeronautical sector	27.2	19.7	38.1%	76.8	55.2	39.1%
Leasing	30.3	26.7	13.5%	86.1	76.1	13.1%
Total MSS	185.1	174.3	6.2%	548.0	505.9	8.3%
Other income	16.1	2.4	570.8%	21.0	7.4	183.8%
Total revenue	201.2	176.7	13.9%	569.0	513.3	10.9%

Total active terminal numbers as at 30 September 2010 increased by 8.7%, compared with 30 September 2009. The table below sets out the active terminals by sector:

(000's)	As at 30 September		Increase %
	2010	2009	
Active terminals ⁽¹⁾			
Maritime	179.4	169.6	5.8%
Land mobile	84.6	73.6	14.9%
Aeronautical	12.1	10.8	12.0%
Total active terminals	276.1	254.0	8.7%

(1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 30 September. Active terminals also include the average number of certain SPS terminals (which we have previously referred to as ACeS handheld terminals) active on a daily basis during the period. Active terminals exclude our terminals (Inmarsat D+ and IsatM2M) used to access our Satellite Low Data Rate ("SLDR") or telemetry services. At 30 September 2010, we had 210,583 SLDR terminals.

Seasonality - Impact of volume discounts: There is generally very little seasonality in the markets we serve, although data traffic tends to slow down at holiday periods, e.g. Christmas. However in previous years our Volume Discount Scheme ("VDS") led to significant seasonality in our revenues. The terms of the VDS changed following the signing of the new distribution agreements by Inmarsat Global's distribution partners, effective from 1 May 2009. This resulted in the removal of volume discounts on BGAN services and the implementation of a more even phasing of discounts during the year with respect to Existing and Evolved services (being all services other than our broadband services, SPS and our GSPS). Historically, volume discounts under the old VDS progressively increased over the course of the year, with lower discount levels in early quarters and higher discount levels in later quarters. Volume discounts for the period 1 January 2009 to 30 April 2009 were based on the old VDS, condensed from a twelve-month period into a four-month period. Volume discounts after 1 May 2009 are based on the new structure where discounts remain constant throughout the period.

During the three months ended 30 September 2010, volume discounts were US\$10.5m, a decrease of US\$1.4m, or 11.8%, compared with the three months ended 30 September 2009. The decrease reflects lower revenues from the services remaining eligible for VDS.

Maritime Sector: During the three months ended 30 September 2010, revenues from the maritime sector were US\$91.6m, an increase of US\$2.5m, or 2.8%, compared with the three months ended 30 September 2009.

Revenues from data services in the maritime sector during the three months ended 30 September 2010 were US\$67.1m, an increase of US\$3.9m, or 6.2%, compared with the three months ended 30 September 2009. The increase in revenues from data services reflects strong growth in our FleetBroadband service. The number of FleetBroadband terminals we added during the quarter is more than double the number added in the prior period. We believe that the accelerated adoption of our FleetBroadband service will partially constrain 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. Over time, we fully expect to offset this effect through usage growth in response to increased service capability and faster speeds available through FleetBroadband. In addition, we believe the challenging economic and competitive environment for the shipping industry has also impacted our rate of growth when compared to prior periods.

As expected, revenue from our Inmarsat B service is decreasing due to the natural run-off of this mature service, which will be discontinued on 31 December 2014. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with FleetBroadband terminals. In addition, there was a decrease in revenues from our Mini M service, where there is an expected long-term decline in demand for fax and low speed data.

Revenues from voice services in the maritime sector during the three months ended 30 September 2010 were US\$24.5m, a decrease of US\$1.4m, or 5.4% compared with the three months ended 30 September 2009. Growth in demand for voice services among users of our FleetBroadband service was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services. The decline in revenues from voice services in the maritime sector can be attributed to a combination of factors, including the current economic environment for the shipping industry, some increased competition and the cannibalisation of voice usage to email and Voice Over IP. Revenues are also negatively impacted by product mix changes as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower.

Land Mobile Sector: During the three months ended 30 September 2010, revenues from the land mobile sector were US\$36.0m, a decrease of US\$2.8m, or 7.2%, compared with the three months ended 30 September 2009.

Revenues from data services in the land mobile sector during the three months ended 30 September 2010 were US\$34.6m, a decrease of US\$2.4m, or 6.5%, compared with the three months ended 30 September 2009. Continued growth in BGAN revenue was more than offset by the decline in GAN high-speed data traffic following reduced traffic levels in the Middle

East. Usage of our BGAN service in Iraq and Afghanistan has historically been volatile and has affected our results from time to time.

Revenues from BGAN services for the three months ended 30 September 2010 were US\$27.5m, an increase of US\$1.3m, or 5.0%, compared with the three months ended 30 September 2009. These figures include voice, data and subscription revenues. As at 30 September 2010, active BGAN subscribers were 47,434 compared with 31,864 as at 30 September 2009, an increase of 15,570 or 49% period on period. BGAN subscribers include 5,800 low usage subscribers activated at the end of March 2010 for the May 2010 election in the Philippines.

Revenues from voice services in the land mobile sector during the three months ended 30 September 2010 were US\$1.4m, a decrease of US\$0.4m, or 22.2%, compared with the three months ended 30 September 2009. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators, however we are seeing growth in our BGAN voice service which now accounts for over 50% of voice revenues. Although we launched our handheld satellite phone, IsatPhone Pro, at the end of June 2010, the early stage of service introduction meant it made no material contribution during the quarter.

Aeronautical Sector: During the three months ended 30 September 2010, revenues from the aeronautical sector were US\$27.2m, an increase of US\$7.5m, or 38.1%, compared with the three months ended 30 September 2009. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 7.1% increase in active terminals compared with 30 September 2009. In addition, we experienced strong growth in revenues from our SwiftBroadband service, which has now gained widespread industry acceptance. Our low-speed data services also benefited from increased industry demand. Our Swift 64 and SwiftBroadband services target the government aircraft and business jet markets as well as being used by commercial airlines.

Leasing: During the three months ended 30 September 2010, revenues from leasing were US\$30.3m, an increase of US\$3.6m, or 13.5%, compared with the three months ended 30 September 2009. The increase is a result of additional government contracts for land-based services and the expansion of Swift 64 leases for certain aeronautical customers.

Other income: Other income for the three months ended 30 September 2010 was US\$16.1m, an increase of US\$13.7m, or 571%, compared with the three months ended 30 September 2009. The increase in the three months ended 30 September 2010 is predominantly due to US\$9.8m of revenue recorded in respect of the Lightsquared Cooperation Agreement. In addition this category now includes the sale of IsatPhone Pro terminals.

Net operating costs

Net operating costs during the three months ended 30 September 2010 increased by US\$5.0m, compared with the three months ended 30 September 2009. 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 September		Increase/ (decrease) %	Nine months ended 30 September		Increase/ (decrease) %
	2010	2009		2010	2009	
Employee benefit costs	22.8	25.0	(8.8%)	68.7	77.7	(11.6%)
Network and satellite operations costs	11.4	10.1	12.9%	32.5	29.7	9.4%
Other operating costs	18.5	13.4	38.1%	48.2	45.1	6.9%
Own work capitalised	(4.1)	(4.9)	(16.3%)	(10.9)	(14.7)	(25.9%)
Net operating costs	48.6	43.6	11.5%	138.5	137.8	0.5%

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is US dollars. Approximately 60% of Inmarsat Global's costs are denominated in Pounds Sterling. Net operating costs in 2010 have been affected by a favourable movement in Inmarsat Global's hedged rate of exchange from US\$1.92/£1.00 in 2009 to US\$1.49/£1.00 in

2010. The movement in the hedged rate of exchange in the three months ended 30 September 2010 has resulted in a decrease in comparative costs of approximately US\$6.4m. We have completed hedging arrangements for our anticipated sterling costs in both 2011 and 2012. As a result, we now expect our hedged rate of exchange for 2011 to be US\$1.52/£1.00 and for 2012 to be US\$1.48/£1.00.

Employee benefit costs. The US\$2.2m decrease in employee benefit costs for the three months ended 30 September 2010 compared to the same period in 2009, is primarily attributed to the favourable movement in Inmarsat Global's hedged rate of exchange. Partially offsetting this decrease were additional staff costs due to an increase in total full-time equivalent headcount (500 at 30 September 2010 compared to 488 at 30 September 2009) and salary cost increases in 2010.

Network and satellite operations costs. Network and satellite operations costs for the three months ended 30 September 2010 increased by US\$1.3m, compared to the three months ended 30 September 2009. The increase is predominantly due to higher site service contract costs and higher in-orbit insurance relating to our third Inmarsat-4 satellite which was insured under the launch contract until August 2009.

Other operating costs. Other operating costs for the three months ended 30 September 2010 increased by US\$5.1m, compared to the three months ended 30 September 2009. The increase relates predominantly to higher direct cost of sales due to IsatPhone Pro terminal sales and to a foreign exchange loss of US\$0.4m in the three months ended 30 September 2010, compared to a foreign exchange gain of US\$1.6m in the three months ended 30 September 2009.

Own work capitalised. The decrease in own work capitalised for the three months ended 30 September 2010 of US\$0.8m, compared to the three months ended 30 September 2009, is predominantly a result of the movement in the Group's hedged rate of exchange. Currently, own work capitalised primarily relate to the development of the Alphasat satellite project.

Operating profit

(US\$ in millions)	Three months ended 30 September		Increase/ (decrease) %	Nine months ended 30 September		Increase/ (decrease) %
	2010	2009		2010	2009	
Total revenue	201.2	176.7	13.9%	569.0	513.3	10.9%
Net operating costs	(48.6)	(43.6)	11.5%	(138.5)	(137.8)	0.5%
EBITDA	152.6	133.1	14.7%	430.5	375.5	14.6%
<i>EBITDA margin %</i>	<i>75.8%</i>	<i>75.3%</i>		<i>75.7%</i>	<i>73.2%</i>	
Depreciation and amortisation	(43.1)	(44.5)	(3.1%)	(126.2)	(135.5)	(6.9%)
Operating profit	109.5	88.6	23.6%	304.3	240.0	26.8%

The increase in operating profit for the three months ended 30 September 2010 of US\$20.9m, compared to the three months ended 30 September 2009, is a result of higher revenues, lower net operating costs and lower depreciation and amortisation.

Stratos Results

On 12 January 2010, we acquired the business assets of Segovia. As a result of the Group Reorganisation and the acquisition of Segovia, we now include the Stratos and Segovia businesses in a single operating segment.

Revenues

Revenues for the three months ended 30 September 2010 increased by US\$25.9m, compared to the three months ended 30 September 2009, primarily as a result of the inclusion of the revenues of Segovia in the Stratos operating segment. The table below sets out the components of Stratos' revenues for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September		Increase/ (decrease) %	Nine months ended 30 September		Increase
	2010	2009		2010	2009	%
MSS revenues						
Inmarsat MSS	113.0	109.1	3.6%	328.1	317.1	3.5%
Other MSS	30.4	29.0	4.8%	94.4	91.3	3.4%
Total MSS revenue	143.4	138.1	3.8%	422.5	408.4	3.5%
Broadband ⁽¹⁾	42.6	22.0	93.6%	119.3	68.9	73.1%
Total revenue	186.0	160.1	16.2%	541.8	477.3	13.5%

(1) Includes Segovia from 12 January 2010.

Total MSS revenue. Revenues from MSS for the three months ended 30 September 2010 increased by US\$5.3m compared with the three months ended 30 September 2009. Growth has been driven primarily by increased leasing revenue, Swift 64 revenue, sales of equipment and increased revenues from Inmarsat's broadband services, partially offset by decreases in revenues from legacy services and network services provided to certain distributors.

Inmarsat MSS. Revenues derived from Inmarsat MSS for the three months ended 30 September 2010 increased by US\$3.9m compared with the three months ended 30 September 2009. The increase is primarily due to increases in the maritime, leasing and aeronautical sectors, partially offset by a decrease in the land mobile sector. Generally, since the second quarter of 2009, revenues from Inmarsat broadband services have been negatively impacted by competitive pricing as a result of the market entry of new Inmarsat distributors. Legacy Inmarsat services offered by Stratos have also experienced pricing pressure.

For the three months ended 30 September 2010, Stratos' share of Inmarsat Global's MSS revenues was 40.3%, compared to 39.8% for the same period in 2009.

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

Revenues from Other MSS during the three months ended 30 September 2010 increased by US\$1.4m, compared with the three months ended 30 September 2009. The increase is primarily due to increased sales of equipment, partially offset by a decrease in network services provided to other Inmarsat distributors.

Broadband. During the three months ended 30 September 2010, revenues from Broadband services were US\$42.6m, an increase of US\$20.6m, or 93.6%, compared with the three months ended 30 September 2009. The increase is primarily due to the inclusion of Segovia revenues during 2010 and increased revenues from microwave bandwidth and services. Partially offsetting the increase was a decrease in VSAT revenue as a result of the expiry of certain contracts, the sale of certain customer contracts in Germany and decreased revenue from VSAT and microwave equipment sales.

Net operating costs

Net operating costs in the three months ended 30 September 2010 were US\$148.9m, an increase of US\$15.7m or 11.8%, compared with the three months ended 30 September 2009. The table below sets out the components of Stratos' net operating costs and shows the allocation of costs to the Group's cost categories for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September		Increase %	Nine months ended 30 September		Increase %
	2010	2009		2010	2009	
Cost of goods and services	130.9	119.0	10.0%	391.4	353.6	10.7%
Operating costs	18.0	14.2	26.8%	57.8	48.6	18.9%
Total operating costs	148.9	133.2	11.8%	449.2	402.2	11.7%
Allocated as follows:						
Employee benefit costs	21.8	18.8	16.0%	67.9	60.4	12.4%
Network and satellite operations costs ⁽¹⁾	121.4	111.2	9.2%	362.7	330.5	9.7%
Other operating costs	6.4	3.9	64.1%	20.7	13.3	55.6%
Own work capitalised	(0.7)	(0.7)	–	(2.1)	(2.0)	5.0%
Net operating costs	148.9	133.2	11.8%	449.2	402.2	11.7%

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

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

Cost of goods and services during the three months ended 30 September 2010 increased by US\$11.9m, compared with the three months ended 30 September 2009. The increase is predominantly due to the addition of Segovia as well as increased cost of airtime and equipment as a result of the increase in revenues and higher network infrastructure operating costs resulting primarily from exchange rates. Partially offsetting the increase in cost of goods and services was a decrease in costs relating to the Broadband business, predominantly due to the reduction of costs as a result of lower revenue and ceasing operations in Germany.

Operating costs. Operating costs during the three months ended 30 September 2010 increased by US\$3.8m, compared with the three months ended 30 September 2009. The increase is primarily due to the addition of Segovia, partially offset by a decrease in the operating expenses for the remaining Stratos business, mainly as a result of a decrease in salaries and benefits costs.

Operating profit

(US\$ in millions)	Three months ended 30 September		Increase/ (decrease) %	Nine months ended 30 September		Increase/ (decrease) %
	2010	2009		2010	2009	
Total revenue	186.0	160.1	16.2%	541.8	477.3	13.5%
Cost of goods and services	(130.9)	(119.0)	10.0%	(391.4)	(353.6)	10.7%
Gross margin	55.1	41.1	34.1%	150.4	123.7	21.6%
<i>Gross margin %</i>	29.6%	25.7%		27.8%	25.9%	
Operating costs	(18.0)	(14.2)	26.8%	(57.8)	(48.6)	18.9%
EBITDA	37.1	26.9	37.9%	92.6	75.1	23.3%
<i>EBITDA margin %</i>	19.9%	16.8%		17.1%	15.7%	
Depreciation and amortisation	(16.5)	(12.8)	28.9%	(48.3)	(38.3)	26.1%
Share of results of associate	0.3	0.3	–	0.9	0.7	28.6%
Gain on disposal of assets	–	1.7	(100.0%)	–	3.2	(100.0%)
Goodwill adjustment	–	1.3	(100.0%)	–	(8.8)	(100.0%)
Operating profit	20.9	17.4	20.1%	45.2	31.9	41.7%

Stratos' operating profit for the three months ended 30 September 2010 increased by US\$3.5m, compared with the three months ended 30 September 2009. The increase is primarily a result of the addition of Segovia.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for the three months ended 30 September 2010 increased as a result of the addition of Segovia and changes in MSS product mix. Changes in product mix include the increased sales of equipment, which have a lower gross margin, and a migration by customers to lower margin services such as BGAN and FleetBroadband. In addition, margins have been negatively impacted by competitive pricing as discussed earlier.

Group liquidity and capital resources

At 30 September 2010, the Group had cash and cash equivalents of US\$162.2m and available but undrawn borrowing facilities of US\$300.0m under our Senior Credit Facility. In addition we may borrow a further €92.1m under our EIB Facility. We are operating well within the financial covenant limitations of our Senior Credit Facility and EIB Facility. As a result, we believe our liquidity position is more than sufficient to meet the Group's needs for the next twelve months.

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

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

(US\$ in millions)	As at 30 September 2010	As at 31 December 2009
Senior Credit Facility	200.0	290.0
EIB Facility	180.0	–
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.4)	(4.8)
Subordinated Parent Company Loan	325.8	301.3
Intercompany loan ⁽¹⁾	5.6	388.8
Deferred satellite payments	42.1	47.4
Bank overdrafts	2.8	0.9
Stratos Senior Credit Facility	–	209.2
Stratos Senior Unsecured Notes ⁽²⁾	–	86.8
Total borrowings	1,401.9	1,969.6
Cash and cash equivalents	(162.2)	(226.7)
Net Borrowings	1,239.7	1,742.9

(1) Prior to the Group Reorganisation, Finance III had intercompany loans outstanding with Inmarsat plc and Inmarsat Holdings Limited, both of which are outside the Group. As a result of the Group Reorganisation, although Finance III became an indirect wholly-owned subsidiary of the Group, the previously outstanding intercompany loans at 31 December 2009 were substantially repaid or otherwise eliminated prior to Finance III becoming a subsidiary of the Group. See note 3 to the condensed consolidated financial statements.

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

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

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Net cash from operating activities	225.3	138.9	535.2	426.7
Net cash (used in)/from investing activities				
excluding capital expenditure	(1.2)	3.6	(114.8)	(10.5)
Capital expenditure, including own work capitalised	(33.3)	(45.4)	(100.9)	(129.6)
Dividends paid	–	–	(100.7)	(86.5)
Net cash used in financing activities				
excluding dividends paid	(148.2)	(19.5)	(285.3)	(101.0)
Foreign exchange adjustment	(0.4)	0.5	0.1	0.9
Net increase/(decrease) in cash and cash equivalents	42.2	78.1	(66.4)	100.0

The increase in net cash generated from operating activities in the three months ended 30 September 2010, compared to the same period in 2009, of US\$86.4m primarily relates to US\$81.3m received from LightSquared in respect of our Cooperation Agreement, higher

EBITDA in the three months ended 30 September 2010 offset by movements in working capital.

Net cash used in investing activities, excluding capital expenditure, during the three months ended 30 September 2010 was US\$1.2m. Cash from investing activities, excluding capital expenditure, during the same period in 2009, was US\$3.6m. The variance is due to US\$4.9m received from the disposal of fixed assets in Stratos in the three months ended 30 September 2009.

Capital expenditure, including own work capitalised, decreased by US\$12.1m in the three months ended 30 September 2010, compared to the same period in 2009. Capital expenditure may fluctuate with the timing of milestone payments on current projects.

Net cash used in financing activities, excluding the payment of dividends, increased by US\$128.7m during the three months ended 30 September 2010, compared to the same period in 2009. During the three months ended 30 September 2010, the Group repaid US\$140.0m of the Senior Credit Facility and paid US\$7.4m of cash interest. During the three months ended 30 September 2009, we paid cash interest on borrowings of US\$10.0m, paid US\$6.4m relating to arrangement costs of new borrowing facilities and bought back US\$3.3m of the Group's own debt securities.

Group free cash flow

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Cash generated from operations	239.9	145.5	561.1	439.6
Capital expenditure	(29.7)	(40.7)	(89.1)	(114.6)
Own work capitalised	(3.6)	(4.7)	(11.8)	(15.0)
Net cash interest paid	(7.2)	(9.8)	(57.5)	(61.3)
Cash tax paid	(14.8)	(6.8)	(26.3)	(13.5)
Free cash flow	184.6	83.5	376.4	235.2

Free cash flow increased by US\$101.1m, or 121%, during the three months ended 30 September 2010, compared to the same period in 2009. The increase is due to 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 capital expenditure and cash interest paid, offset in part by increased cash tax paid.

Recent Events

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

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
(unaudited)

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Revenues	308.8	260.0	879.5	768.7
Employee benefit costs	(44.5)	(43.8)	(136.5)	(138.1)
Network and satellite operations costs	(55.2)	(44.5)	(164.6)	(140.9)
Other operating costs	(24.3)	(17.3)	(67.5)	(57.8)
Own work capitalised	4.7	5.6	12.9	16.7
Total net operating costs	(119.3)	(100.0)	(355.7)	(320.1)
EBITDA	189.5	160.0	523.8	448.6
Depreciation and amortisation	(59.6)	(57.3)	(174.5)	(173.8)
Share of results of associates	0.3	0.3	0.9	0.7
Gain on disposal of fixed assets	–	1.7	–	3.2
Goodwill adjustment	–	1.3	–	(8.8)
Operating profit	130.2	106.0	350.2	269.9
Interest receivable and similar income	0.3	0.6	1.6	2.2
Interest payable and similar charges	(25.1)	(30.1)	(92.9)	(98.3)
Net interest payable	(24.8)	(29.5)	(91.3)	(96.1)
Profit before income tax	105.4	76.5	258.9	173.8
Income tax expense	(27.5)	(26.5)	(72.9)	(49.7)
Profit for the period	77.9	50.0	186.0	124.1
Attributable to:				
Equity holders	77.9	50.0	185.9	124.1
Non-controlling interest	–	–	0.1	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Profit for the period	77.9	50.0	186.0	124.1
Other comprehensive income/(loss):				
Gains/(losses) on cash flow hedges	21.0	0.8	(10.8)	40.7
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	(15.1)
Tax (charged)/credited directly to equity	(5.4)	0.1	4.0	(6.0)
Other comprehensive income/(loss) for the period, net of tax	15.6	0.9	(6.8)	19.6
Total comprehensive income for the period, net of tax	93.5	50.9	179.2	143.7
Attributable to:				
Equity holders	93.5	50.9	179.1	143.7
Non-controlling interest	–	–	0.1	–

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(US\$ in millions)	As at 30 September 2010	As at 31 December 2009
Assets		
Non-current assets		
Property, plant and equipment	1,329.5	1,365.2
Intangible assets	1,137.3	1,020.0
Investments	30.8	31.0
Other receivables	4.7	26.5
Derivative financial instruments	9.7	12.0
	2,512.0	2,454.7
Current assets		
Cash and cash equivalents	162.2	226.7
Restricted cash ⁽¹⁾	6.2	–
Trade and other receivables	282.6	237.6
Inventories	12.9	9.5
Derivative financial instruments	8.0	12.1
	471.9	485.9
Total assets	2,983.9	2,940.6
Liabilities		
Current liabilities		
Borrowings	36.1	109.8
Trade and other payables	380.2	205.2
Provisions	0.3	0.9
Current income tax liabilities	74.3	40.4
Derivative financial instruments	14.0	14.1
	504.9	370.4
Non-current liabilities		
Borrowing	1,344.7	1,830.0
Other payables	56.9	27.6
Provisions	55.5	55.8
Deferred income tax liabilities	81.0	72.4
Derivative financial instruments	17.3	12.9
	1,555.4	1,998.7
Total liabilities	2,060.3	2,369.1
Net assets	923.6	571.5
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.4	346.3
Other reserves	25.5	26.4
Retained earnings	219.7	197.9
Equity attributable to shareholders of the parent	923.0	571.0
Non-controlling interest	0.6	0.5
Total equity	923.6	571.5

(1) Restricted cash relates to our Segovia business and represents cash received from customers for the advanced payment of services.

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Cash flow from operating activities				
Cash generated from operations	239.9	145.5	561.1	439.6
Interest received	0.2	0.2	0.4	0.6
Income taxes paid	(14.8)	(6.8)	(26.3)	(13.5)
Net cash flow from operating activities	225.3	138.9	535.2	426.7
Cash flow from investing activities				
Purchase of property, plant and equipment	(24.6)	(33.3)	(70.9)	(84.1)
Additions to capitalised development costs, including software	(5.1)	(7.4)	(18.2)	(30.5)
Own work capitalised	(3.6)	(4.7)	(11.8)	(15.0)
Proceeds from disposal of property	–	4.9	–	4.9
Purchase of Segovia	–	–	(110.0)	–
Other investments, including acquisition of subsidiaries	(1.2)	(1.3)	(4.8)	(15.4)
Net cash used in investing activities	(34.5)	(41.8)	(215.7)	(140.1)
Cash flow from financing activities				
Dividends paid	–	–	(100.7)	(86.5)
Net repayment of Senior Credit Facility	(140.0)	–	(90.0)	(25.0)
Drawdown of EIB Facility	–	–	180.0	–
Repayment of the Stratos borrowings	–	–	(209.2)	(2.5)
Redemption of Stratos Senior Unsecured Notes	–	–	(65.5)	–
Purchase of own debt securities, including discount	–	(3.3)	(24.4)	(6.1)
Interest paid on borrowings	(7.4)	(10.0)	(57.9)	(61.9)
Arrangement costs of new borrowing facilities	(0.7)	(6.4)	(3.3)	(6.4)
Capital lease obligation	(0.1)	–	(0.1)	–
Net proceeds from the issue of ordinary shares	–	0.2	–	0.2
Intercompany funding	–	–	(14.9)	0.7
Net cash used in financing activities	(148.2)	(19.5)	(386.0)	(187.5)
Foreign exchange adjustment	(0.4)	0.5	0.1	0.9
Net increase/(decrease) in cash and cash equivalents	42.2	78.1	(66.4)	100.0
Movement in cash and cash equivalents				
At beginning of period	117.2	172.6	225.8	150.7
Net increase/(decrease) in cash and cash equivalents	42.2	78.1	(66.4)	100.0
As reported on balance sheet (net of bank overdrafts)	159.4	250.7	159.4	250.7
At end of period, comprising				
Cash at bank and in hand	68.0	89.0	68.0	89.0
Short-term deposits with original maturity of less than 3 months	94.2	161.8	94.2	161.8
Bank overdrafts	(2.8)	(0.1)	(2.8)	(0.1)
	159.4	250.7	159.4	250.7

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

(US\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
Balance at 1 January 2009	0.4	346.1	18.1	(34.1)	0.6	2.1	188.9	1.5	523.6
Profit for the period	–	–	–	–	–	–	124.1	–	124.1
Dividend paid	–	–	–	–	–	–	(144.9)	–	(144.9)
Actuarial losses from pension and post-retirement benefits	–	–	–	–	–	–	(15.1)	–	(15.1)
Issue of share capital	–	0.2	–	–	–	–	–	–	0.2
Share option charge	–	–	6.3	–	–	–	–	–	6.3
Net fair value gains – cash flow hedges	–	–	–	40.7	–	–	–	–	40.7
Tax (charged)/credited directly to equity	–	–	–	(11.4)	–	–	5.4	–	(6.0)
Purchase of non-controlling interest	–	–	–	–	–	–	–	(1.0)	(1.0)
Balance at 30 September 2009	0.4	346.3	24.4	(4.8)	0.6	2.1	158.4	0.5	527.9
Balance at 1 January 2010	0.4	346.3	26.3	(2.6)	0.6	2.1	197.9	0.5	571.5
Profit for the period	–	–	–	–	–	–	185.9	0.1	186.0
Dividend paid	–	–	–	–	–	–	(165.0)	–	(165.0)
Issue of share capital	–	331.1	–	–	–	–	–	–	331.1
Share option charge	–	–	6.8	–	–	–	–	–	6.8
Net fair value losses – cash flow hedges	–	–	–	(10.8)	–	–	–	–	(10.8)
Tax credited directly to equity	–	–	–	3.1	–	–	0.9	–	4.0
Balance at 30 September 2010	0.4	677.4	33.1	(10.3)	0.6	2.1	219.7	0.6	923.6

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 5 November 2010.

The financial information for the year ended 31 December 2009 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 and nine months ended 30 September 2010 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2009, and which are available on our website at www.inmarsat.com. Except as described below, the 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 7 to 48. Operating results for the periods ended 30 September 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. The consolidated balance sheet as at 31 December 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

- Taxes are accrued based on management's estimated annual effective income tax rate applied to the Group's interim pre-tax income.
- In addition, the following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:
 - IFRS 2 (as amended) – Share-based Payment – Amendments relating to group cash-settled share-based payments transactions (effective for financial years beginning on or after 1 January 2010);
 - IAS 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009);
 - IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009);
 - IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009); and
 - Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2010).

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

after making enquiries, the Directors have a reasonable expectation that the Group and Company 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. Accounting policies adopted in preparing these condensed consolidated financial statements have been selected in accordance with IFRS.

3. Group reorganisation

On 30 June 2010 we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos and its subsidiaries), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental 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 focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Stratos. The Group's reportable segments are therefore as follows:

- Inmarsat Global – principally the supply of airtime, equipment and services to distribution partners and end-users of mobile satellite communications by the Inmarsat business. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate;
- Stratos – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users; and
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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

Segment information:

(US\$ in millions)	Three months ended 30 September 2010					Nine months ended 30 September 2010				
	Inmarsat Global	Stratos	Unallocated	Eliminations	Total	Inmarsat Global	Stratos	Unallocated	Eliminations	Total
Revenue ^(a)										
External sales	124.4	184.4	–	–	308.8	342.3	537.2	–	–	879.5
Inter-segment	76.8	1.6	–	(78.4)	–	226.7	4.6	–	(231.3)	–
Total revenue	201.2	186.0	–	(78.4)	308.8	569.0	541.8	–	(231.3)	879.5
Segment result (operating profit)	109.5	20.9	–	(0.2)	130.2	304.3	45.2	–	0.7	350.2
Net interest charged to the Income Statement	–	–	(24.8)	–	(24.8)	–	–	(91.3)	–	(91.3)
Profit before income tax					105.4					258.9
Income tax expense					(27.5)					(72.9)
Profit for the year					77.9					186.0
Segment assets	2,339.0	924.9	162.2	(442.2)	2,983.9	2,339.0	924.9	162.2	(442.2)	2,983.9
Segment liabilities	(424.0)	(184.8)	(1,536.1)	84.6	(2,060.3)	(424.0)	(184.8)	(1,536.1)	84.6	(2,060.3)
Capital expenditure ^(b)	(27.1)	(2.9)	–	0.1	(29.9)	(78.8)	(19.1)	–	0.1	(29.9)
Investments ^(c)	23.5	–	–	–	23.5	23.5	–	–	–	23.5
Depreciation	(36.6)	(6.0)	–	–	(42.6)	(108.9)	(20.4)	–	–	(129.3)
Amortisation of intangible assets	(6.5)	(10.5)	–	–	(17.0)	(17.3)	(27.9)	–	–	(45.2)

(a) Revenue from the sale of user terminals is classified as either Inmarsat MSS or Stratos revenue for the purpose of segment reporting, depending on the nature of the terminal. In addition, revenue includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, which are classified as 'other income' in the revenue analysis table for Inmarsat Global on page 6.

(b) Capital expenditure stated using accruals basis.

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

(d) The Stratos segment includes Segovia from 12 January 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental information (continued)

(US\$ in millions)	Three months ended 30 September 2009					Nine months ended 30 September 2009				
	Inmarsat Global	Stratos	Unallocated	Eliminations	Total	Inmarsat Global	Stratos	Unallocated	Eliminations	Total
Revenue ^(a)										
External sales	101.4	158.6	–	–	260.0	295.1	473.6	–	–	768.7
Inter-segment	75.3	1.5	–	(76.8)	–	218.2	3.7	–	(221.9)	–
Total revenue	176.7	160.1	–	(76.8)	260.0	513.3	477.3	–	(221.9)	768.7
Segment result (operating profit)	88.6	17.4	–	–	106.0	240.0	31.9	–	(2.0)	269.9
Net interest charged to the Income Statement	–	–	(29.5)	–	(29.5)	–	–	(96.1)	–	(96.1)
Profit before income tax					76.5					173.8
Income tax expense					(26.5)					(49.7)
Profit for the year					50.0					124.1
Segment assets	2,012.8	783.7	275.4	(70.4)	3,001.5	2,012.8	783.7	275.4	(70.4)	3,001.5
Segment liabilities	(270.2)	(122.1)	(2,154.8)	73.5	(2,473.6)	(270.2)	(122.1)	(2,154.8)	73.5	(2,473.6)
Capital expenditure ^(b)	(39.9)	(5.1)	–	0.1	(44.9)	(114.7)	(14.3)	–	0.4	(128.6)
Investments ^(c)	23.5	–	–	–	23.5	23.5	–	–	–	23.5
Depreciation	(42.6)	(5.1)	–	–	(47.7)	(123.4)	(15.6)	–	–	(139.0)
Amortisation of intangible assets	(1.9)	(7.7)	–	–	(9.6)	(12.1)	(22.7)	–	–	(34.8)

(a) Revenue from the sale of user terminals is classified as either Inmarsat MSS or Stratos revenue for the purpose of segment reporting, depending on the nature of the terminal. In addition, revenue includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, which are classified as 'other income' in the revenue analysis table for Inmarsat Global on page 6.

(b) Capital expenditure stated using accruals basis.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Net interest payable

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
Interest on Senior Notes and credit facilities	(16.1)	(4.7)	(46.6)	(16.2)
Interest rate swaps	(3.4)	(3.2)	(10.2)	(8.3)
Pension and post-retirement liability finance costs	(3.1)	1.1	0.3	(3.4)
Unwinding of discount on deferred satellite liabilities	(0.7)	(0.9)	(2.1)	(2.4)
Amortisation of debt issue costs	(1.8)	(0.7)	(5.2)	(2.1)
Amortisation of discount on Senior Notes due 2017	(0.2)	–	(0.5)	–
Interest on Stratos borrowings	–	(4.3)	(14.7)	(14.1)
Premium on purchase of Stratos Senior Unsecured Notes	–	–	(1.4)	–
Unwinding of discount on Segovia deferred consideration	(1.4)	–	(3.8)	–
Intercompany interest	–	(18.1)	(12.4)	(53.6)
Other interest	(0.1)	(0.4)	(1.0)	(0.9)
Interest payable and similar charges	(26.8)	(31.2)	(97.6)	(101.0)
Less: Amounts included in the cost of qualifying assets	1.7	1.1	4.7	2.7
Total interest payable and similar charges	(25.1)	(30.1)	(92.9)	(98.3)
Bank interest receivable and other interest	0.3	0.6	1.6	2.2
Total interest receivable and similar income	0.3	0.6	1.6	2.2
Net interest payable	(24.8)	(29.5)	(91.3)	(96.1)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Borrowings

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

(US\$ in millions)	As at 30 September 2010			As at 31 December 2009		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	2.8	–	2.8	0.9	–	0.9
Deferred satellite payments	8.3	–	8.3	9.3	–	9.3
Senior Credit Facility	25.0	–	25.0	90.0	–	90.0
Stratos Senior Credit Facility ^(a)	–	–	–	9.6	–	9.6
Total current borrowings	36.1	–	36.1	109.8	–	109.8
Non-current:						
Senior Credit Facility	175.0	(7.4)	167.6	200.0	(10.6)	189.4
EIB Facility ^(b)	180.0	(2.5)	177.5	–	–	–
Senior Notes due 2017	650.0	(11.2)	638.8	650.0	(12.5)	637.5
—Issuance discount	(4.4)	–	(4.4)	(4.8)	–	(4.8)
Stratos Senior Credit Facility ^(a)	–	–	–	199.6	(2.3)	197.3
Stratos Senior Unsecured Notes ^(c)	–	–	–	86.8	(4.4)	82.4
Deferred satellite payments	33.8	–	33.8	38.1	–	38.1
Subordinated Parent Company Loan	325.8	–	325.8	301.3	–	301.3
Intercompany loan ^(d)	5.6	–	5.6	388.8	–	388.8
Total non-current borrowings	1,365.8	(21.1)	1,344.7	1,859.8	(29.8)	1,830.0
Total Borrowings	1,401.9	(21.1)	1,380.8	1,969.6	(29.8)	1,939.8
Cash and cash equivalents	(162.2)	–	(162.2)	(226.7)	–	(226.7)
Net Borrowings	1,239.7	(21.1)	1,218.6	1,742.9	(29.8)	1,713.1

- (a) On 10 May 2010 we pre-paid and cancelled the outstanding amount under the Stratos Senior Credit Facility of US\$207.0m and wrote-off unamortised costs in relation to the facility of US\$1.9m.
- (b) On 19 April 2010, we announced the signing of an 8-year facility agreement from the European Investment Bank ("EIB"). Under the agreement, we may borrow up to €225m at any time before 23 December 2010. The facility is available in Euros and US dollars. An initial draw down of US\$180.0m was made on 30 April 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin payable in April, July, October and January each year.
- (c) On 2 June 2010 we redeemed the entire principal amount of US\$150.0m outstanding under the Stratos Senior Unsecured Notes (US\$62.4m, net of US\$87.6m Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated note redemption premium of US\$7.4m. In addition, we wrote-off US\$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Unsecured Notes.
- (d) Prior to the Group Reorganisation, Finance III had intercompany loans outstanding with Inmarsat plc and Inmarsat Holdings Limited, both of which are outside the Group. As a result of the Group Reorganisation, although Finance III became an indirect wholly-owned subsidiary of the Group, the previously outstanding intercompany loans at 31 December 2009 were substantially repaid or otherwise eliminated prior to Finance III becoming a subsidiary of the Group. See note 3 to the condensed consolidated financial statements.

7. Acquisition of Segovia

On 12 January 2010, we completed the acquisition of the business and assets of Segovia for an initial consideration of US\$110.0m, and may pay additional amounts depending on the performance of the acquired business over the next three years. Segovia is a leading provider of secure Internet Protocol managed solutions and services to United States government agencies. We acquired Segovia in order to strengthen our relationships with key government customers across land, maritime and aeronautical environments as well as to bring enhanced services to the government sector generally. The management team that was in place before the acquisition continues to operate Segovia as a separate business.

We have accounted for the acquisition of Segovia, using the purchase method of accounting in accordance with IFRS 3 (as revised), 'Business Combinations'. The consolidated results of the Group for the three and nine months ended 30 September 2010 include the financial results of Segovia from 12 January 2010. Where necessary, adjustments are made to the financial

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

As reported in the results for the period ended 30 June 2010, the allocation of the purchase consideration has been finalised. As a result of this review, we recognised identifiable intangible assets of US\$113.7m (refer to table below) and goodwill of US\$27.2m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, we believe that Segovia's expertise in designing, deploying and operating mixed satellite and terrestrial networks, particularly in the government and military environment, will generate value for the Group through future customer relationships.

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

The allocation of the purchase consideration to the net assets and liabilities of Segovia, is as follows:

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

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

(b) Restricted cash relates to cash received from customers for the advance payment of services.

(c) The book value of trade receivables of US\$11.1m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(d) The contingent consideration arrangement requires us to pay the former owners of Segovia an amount in respect of each of the calendar years ending 31 December 2010, 2011 and 2012 (the "Earn-Out Payments"), subject to Segovia achieving certain specified EBITDA and Capital Expenditure targets. The potential undiscounted amount of all future Earn-Out Payments that Inmarsat could be required to make under the contingent consideration arrangement is between US\$nil and US\$139.0m. The fair value of the contingent consideration arrangement of US\$36.9m is based on the probability-adjusted Earn-Out Payments and the application of an assumed discount rate of 14.0%.

The revenue included in the condensed consolidated statement of comprehensive income for the nine months ended 30 September 2010 contributed by Segovia since the acquisition date was US\$61.4m. Given the close proximity of the acquisition date to the beginning of the year, Segovia's contribution to revenue in the condensed consolidated statement of comprehensive income, assuming the transaction had occurred on 1 January 2010, would not be materially different from their actual contribution from the date of acquisition.