# Inmarsat Group Limited

# Annual Financial Information Disclosure

# For the year ended 31 December 2009

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Appendix A - Consolidated Financial Statements

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**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 sections *"Risk Factors", “Our Business and the Mobile Satellite Communications Services Industry”.*

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.

**Industry and Market Data**

We operate in an industry for which it is difficult to obtain precise industry and market information. Market data and certain economic and industry data and forecasts used in, and statements regarding our position in the industry made in, this document were estimated or derived based upon assumptions we deem reasonable, including, inter alia, from internal surveys, market research, government and other publicly available information, reports prepared by consultants and independent industry publications. While we believe these statements to be reliable, they have not been independently verified, and we make no representation or warranty as to the accuracy or completeness of such information as set forth in this document. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

**Non-IFRS Financial Measures**

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

Net Borrowings

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

Free cash flow

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

FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to net income and operating income 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 and depreciation and amortisation. 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 net income, operating income 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.

## Our Business

We are the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide. We have over 30 years of experience in designing, launching and operating our satellite-based network. With a fleet of 11 owned and operated geostationary satellites, we provide a comprehensive portfolio of services for use at sea, on land and in the air. Our services include voice and data, which support safety communications as well as standard office applications, such as e-mail, internet, secure VPN access and videoconferencing.

We have a successful launch and operating record. We have launched three generations of satellites and have never experienced a satellite failure either upon launch or in orbit. Our current fleet of satellites includes three Inmarsat-2 satellites, launched in the early 1990s, five Inmarsat-3 satellites, launched between 1996 and 1998, and three Inmarsat-4 satellites, launched in March and November 2005 and August 2008. Our Inmarsat-2 satellites have remained in commercial operation beyond their original design lives and we expect a similar experience with our Inmarsat-3 satellites. We currently expect that the last of our Inmarsat-2 satellites will be in commercial operation until 2014, and expect that the last of our Inmarsat-3 satellites will be in commercial operation until 2018. Each of our Inmarsat-4 satellites is up to 60 times more powerful, and has up to 16 times more communications capacity than an Inmarsat-3 satellite and the Inmarsat-4 satellites extend the commercial life of our satellite fleet beyond 2020.

Our Inmarsat-2 and Inmarsat-3 satellites are used to offer our Existing and Evolved Services, which include all of our services other than broadband services and handheld satellite phone service ("SPS"). Our Inmarsat-4 satellites serve as the platform for our broadband services and our SPS as well as providing continuity for our Existing and Evolved Services.

Data rates for our services have increased with each satellite generation. Our Existing and Evolved Services are available at transmission rates of up to 128 kbps, although higher rates are possible where multiple terminals are used in conjunction with channel bonding equipment. Our broadband services include our Broadband Global Area Network ("BGAN") service to the land mobile sector, our FleetBroadband service to the maritime sector and our SwiftBroadband service to the aeronautical sector. Our Inmarsat-4 satellites provide BGAN service at transmission rates of up to 492 kbps, FleetBroadband service at transmission rates of up to 432 kbps and SwiftBroadband service at transmission rates of up to 432 kbps. Our broadband services support higher-bandwidth applications, including, videoconferencing, live videostreaming and large file transfer, together with standard office applications such as e-mail, internet, secure LAN access and voice telephony. These services have the same characteristics that our end-users have historically enjoyed, including reliability, ease of use and security, and are supported by terminals that are smaller, more portable and less expensive than the terminals used to access our Existing and Evolved Services.

We sell the majority of our services on a wholesale on-demand basis via a well-established, global network of distribution partners, which provide our services to end-users, either directly or indirectly through service providers. Our global network of over 30 distribution partners and approximately 400 service providers who are present in over 100 countries on six continents provide our services to end-users worldwide. Our largest distribution partner is Stratos Global Corporation ("Stratos"), which is wholly-owned by our ultimate parent company, Inmarsat plc. We continue to target and evaluate new distribution opportunities as they arise. Pursuant to our Distribution Agreements, we charge our distribution partners wholesale rates, based on duration or volume of data transmitted or length of voice call according to the types of services they distribute to end-users. In addition, a number of large end-users lease MSS capacity from us through our distribution partners.

## History

We were formed in 1979 as an international governmental organisation under treaty, with an initial objective to provide communications and safety services to ships at sea. We were established with a mandate to operate profitably and to generate return on the invested capital. In 1999, we were privatised and became a private limited company under English law. As a result of privatisation, among other things, we became subject to normal corporate taxation, and we began funding ourselves independently in the international capital markets for the first time.

In December 2003, funds advised by Apax Partners and Permira Funds acquired a 51.7% controlling interest in us and in June 2005, Inmarsat plc, our ultimate parent company, made an initial public offering and listed its ordinary shares on the London Stock Exchange. Subsequent to the initial public offering, Apax Partners and Permira Funds sold their holding in the ordinary shares of Inmarsat plc. In September 2008 Inmarsat became a constituent of the FTSE 100, a group of the top 100 companies listed on the London Stock Exchange measured by market capitalisation.

**Key Strengths**

We are the leader in the global mobile satellite communications industry, with leading positions in the maritime, land mobile and aeronautical sectors. The following key strengths enhance our position:

- *Unique Global Communications Network.* We own and operate a fleet of 11 geostationary satellites, including three Inmarsat-4 satellites, all of which use the L-band spectrum, which is suited to mobile communications, to provide a comprehensive portfolio of on-demand and leased data and voice services on a global basis. We have global spectrum rights which we believe would be difficult for any new market entrant to replicate.

- *Established End-User Base of Government and Military Entities, Corporations and International Aid Organisations.* As of 31 December 2009, we had over 256,000 active terminals accessing our data, voice and broadband services, which in many instances are accessed by multiple end-users, such as those on board ships and aircraft. We believe that this large installed base of active terminals contributes to our stable revenues, due to the significant cost and effort required by end-users to switch to an alternative communications system. Government and military end-users, in particular the U.S. Department of Defense and the UK Ministry of Defence, are large users of our communications network. We believe that government and military end-users account for between 35% and 40% of our revenues.

- *Established Global Distribution Network.* We currently have over 30 distribution partners who sell our services to end-users, either directly or through a network of over 400 service providers. In addition, our parent company, Inmarsat plc, owns our largest distributor, Stratos, which in 2009 accounted for 40% of our MSS revenues. In April 2009, our previous distribution agreements expired and were replaced with new evergreen Distribution Agreements with a minimum term of five years, which have significant operational and economic benefits compared to the previous distribution agreements. We believe the terms of the new Distribution Agreements increase our ability to influence the price and positioning of our services to end-users and will result in an improved performance of our business over time.

- *Global Broadband Services Portfolio in Place to Capitalise on Growth Opportunities.* With the deployment of our Inmarsat-4 satellite fleet, we have introduced new broadband services into each of our market sectors. We launched our BGAN service for the land mobile sector in December 2005, our SwiftBroadband service for the aeronautical sector in October 2007 and our FleetBroadband service for the maritime sector in November 2007. We believe our broadband services enable us to capitalise on the growth opportunities presented by existing and new end-users' increasing demand for high-bandwidth mobile communication services.

- *Over 30-Year History of Innovation, Technical Excellence and Reliability*. We have over 30 years of experience in designing, implementing and operating global mobile satellite communications networks, and have a track record of high-quality services and reliability. We have never experienced a satellite failure in our operating history and, throughout this period, we have pioneered innovations in satellite communication services to make higher data speeds available to smaller and lighter mobile terminals. Over the three years ended 31 December 2009, our average satellite communications network availability exceeded 99.99%. We believe our reliability is particularly attractive to government, military and enterprise-level users whose operations typically require mission and business critical communications support.

- *Experienced Management Team.* We have a highly experienced management team with a proven record of managing growth-oriented companies. Members of our senior management team have held senior positions at a number of public companies, including Sprint PCS, NDS Group plc

and Lockheed Martin. Our Chief Technology Officer, Senior Vice President of Global Networks and Engineering and Vice President of Satellite and Network Operations have over 100 years of combined experience in the satellite industry and have been involved in the successful launch and deployment of more than 100 satellites.

**Strategy**

Our goal is to increase our penetration in our core data and voice services sectors and enter new end-user sectors. We plan to:

- *Maintain Strong Growth and Cash Flow Generation by Increasing Sales of Our Existing Services and Realise Economies of Scale as We Roll Out New Services.* We intend to improve our margins and cash generation by leveraging our new broadband portfolio of services and leading position in the maritime, land mobile and aeronautical sectors to increase sales of our existing services, while maintaining our rigorous cost control.

- *Develop and Market New Handheld Global Satellite Phone Services.* We believe that our new global handheld satellite phone service ("GSPS") represents a significant growth opportunity. We currently expect to launch GSPS, with the introduction of our first global handheld satellite phone, the IsatPhone Pro, in the second quarter of 2010. We believe that our GSPS will feature competitively-priced hardware and usage charges and be attractive to end-users.

- *Pursue New Business and Market Opportunities.* Our Inmarsat-4 satellite fleet provides us with the capacity and functionality necessary to support a broad range of new business opportunities. Among the opportunities we are targeting are in-flight cellular-based services for use by commercial airline passengers, increased capacity leasing to government customers, and machine to machine services, which typically support asset tracking and monitoring applications.

  In addition, we believe new services may be licensed and deployed in the future using a combination of elements from both terrestrial and satellite communications networks. Some of these services could be deployed using the radio spectrum we have either been allocated or are authorised to develop in the future.

- *Develop and Deploy our Alphasat Satellite to Enhance our Service Offerings and Satellite Network Resilience.* We began construction of the Alphasat satellite in 2008 under a contract with Astrium and expect the satellite to be delivered in 2012. We expect that, when launched, Alphasat will allow us to deploy enhanced end-user service offerings in the key EMEA markets and add continuity resilience to our Inmarsat-4 satellite network.

**The Mobile Satellite Communications Services Industry**

A network of satellites can provide communications services virtually anywhere on the surface of the globe. Accordingly, satellite networks can play an important role in augmenting and complementing terrestrial communications networks by extending communications services to users beyond the reach of those networks. MSS operators can provide connectivity to the ocean regions, meeting the needs of the commercial and leisure maritime community. Many of the regions where significant natural disasters and political conflicts occur are also beyond the reach of high-bandwidth terrestrial wireline and wireless networks, and these types of networks are often unavailable at such times. Similarly, commercial and private aircraft can only access terrestrial wireless networks when flying over populated areas where such networks are available and have to rely on satellite services elsewhere

MSS operators use satellites that are located either in geostationary orbit ("GEO", orbiting approximately 22,300 miles above the earth), medium earth orbit ("MEO", orbiting approximately 5,000 to 10,000 miles above the earth) or low earth orbit ("LEO", orbiting approximately 300 to 1,000 miles above the earth).

Our satellites are in geostationary orbit, orbiting the earth above the equator at the same speed as the earth rotates, and therefore remain above the same point relative to the earth's surface. A geostationary orbit reduces the number of satellites required to provide global network coverage.

Three geostationary satellites are sufficient to provide coverage for almost all the earth's surface and, consequently, users rarely have to switch from one satellite to another, thus reducing the possibility of an interrupted signal. Lower orbit satellites (*i.e.*, MEO and LEO, which include those used by our competitors, Iridium Communications Inc. ("Iridium") and Globalstar Inc. ("Globalstar")) move very quickly relative to the earth's rotation, requiring more complicated tracking equipment and operations. Since they are closer to the earth, these lower orbit satellites "see" a smaller portion of the earth's surface, requiring "constellations" of several dozen satellites to provide equivalent geographical coverage.

Orbital slots for geostationary satellites are points on the geostationary arc where satellites are permitted to operate. Orbital slots are designated by both location and frequency band. The number of orbital slots is limited. The right to use an orbital slot must be authorised under national and international regulatory regimes for the frequency bands in which a satellite will operate, and satellites operating in the same frequency bands must be sufficiently far apart to avoid interference with one another. Once the use of particular frequencies at an orbital slot has been licensed and coordinated, the use is protected against interference from other operations at the same or adjacent slots.

Frequency allocation across the various areas of the globe is managed by the International Telecommunication Union ("ITU"), an organisation related to the United Nations within which public and private sectors cooperate for the regulation, standardisation, coordination and development of international telecommunications.

The most common frequency bands used on geostationary satellites are as follows:

- *Ku- and Ka-bands (10–30 GHz).* Ku- and Ka-band radio frequencies have much greater bandwidth than the other frequencies discussed herein, and are typically used for direct-to-home TV broadcasting and broadband communications, as well as for VSAT services, including its mobile applications. Ku- and Ka-band radio frequencies are susceptible to atmospheric interference, and typically require larger and highly-stabilised ground antennae with high-performance pointing systems to operate effectively.

- *C-band (4–8 GHz).* The C-band radio frequency has generally been used by fixed satellite services ("FSS"), and VSAT operators for TV distribution, data and voice communications. C-band frequencies are less susceptible to terrestrial and atmospheric interference than Ku- and Ka-bands, but still require larger stabilised antennae (oriented to face at a satellite at all times) to transmit and receive signals effectively.

- *L- and S-bands (1.5–1.6 GHz and 2–2.5 GHz, respectively).* L- and S-band radio frequencies have longer wavelengths, which makes them less prone to degradation from external noise, such as rain, than services provided over the higher-frequencies discussed above. The ground antennae do not require the same ability to focus on a satellite as higher frequency services and tend to be small and portable. However, L- and S-band frequencies have less bandwidth than other frequencies discussed above.

We operate our services at frequencies in the L-band spectrum. L-band system operators have successfully increased the aggregate bandwidth capabilities of their satellite communications services through the use of technologies that allow a satellite to direct and shape separate, narrow spot beams to different areas of the earth. Spot beams concentrate extra power in areas of high demand. By narrowing the satellite's beam, the same frequency can be used simultaneously in a number of geographic areas, as well as making it possible to supply standard services to smaller, simpler terminals. Accordingly, the aggregate bandwidth available for services can be increased.

**Geographical Markets**

We operate in one business segment, the supply of MSS. Within this one business segment, we operate in the maritime, land mobile, aeronautical and leasing sectors. Our management evaluates the performance of all four sectors as a single segment.

We allocate revenues geographically based on the location of our distribution partners, whom we bill for MSS. Because these distribution partners sell services directly or indirectly to end-users, who may

be located elsewhere, and as we do not contract directly with them, it is not possible for us to provide the geographical distribution of end-users.

**Our Services**

Our principal services are MSS, which, for 2009, accounted for 98.3% of our revenue as compared with 97.4% for 2008.

*MSS*

End-users access our MSS at sea, on land and in the air. We provide mobile data and voice services on a wholesale, on-demand basis through user terminals that vary based on bandwidth capability, size, mobility, and cost and lease capacity. Some of our services are available only in specified sectors (*e.g.*, maritime-only applications), while others are available across a number of market sectors.

*Our Existing and Evolved Services*

Existing and Evolved Services are those services that were introduced on our Inmarsat-2 and Inmarsat-3 satellites. All of our current Existing and Evolved Services can also be supported by our Inmarsat-4 satellites.

*Our Broadband Services*

The broadband capability offered by our Inmarsat-4 satellites has allowed us to introduce a new generation of broadband MSS. These services are referred to as BGAN, FleetBroadband, and SwiftBroadband.

*FleetBroadband (Maritime)*

In November 2007, we launched our FleetBroadband services to the maritime sector offering voice and high-speed Internet Protocol ("IP") data service at transmission rates of up to 432 kbps. FleetBroadband became globally available to our maritime users in February 2009. FleetBroadband is the first maritime communications service to provide cost-effective broadband data and voice, simultaneously, on a global basis. Operational systems can run online while multiple users simultaneously access e-mail, the internet and make phone calls, all via a single terminal. This service represents a significant advance in maritime mobile communications and is expected to serve the maritime industry until at least 2020.

In May 2009, we launched our new FleetBroadband 150 ("FleetBroadband 150") service which was introduced to target and expand the addressable markets for smaller vessels, coastal merchant vessels and the fishing and marine leisure sector, offering voice connection of landline quality, accessible simultaneously with an internet connection of up to 150 kbps, and simple-to-use SMS.

*BGAN (Land)*

Our BGAN service was our first broadband service, and was launched in December 2005 in the land mobile sector in EMEA and parts of Asia. Our BGAN service was commercially launched in the Americas in mid-2006 and since February 2009 has been available on a global basis. BGAN offers end-users secure, reliable broadband internet and telephony capability for high-speed data applications using portable terminals connecting via USB, Bluetooth, WiFi or Ethernet, depending on terminal type. The service supports data transmission rates of up to 492 kbps, similar to, and in some cases higher than, the transmission rates for third generation (3G) terrestrial wireless networks, with the option of 64 kbps Integrated Services Digital Network ("ISDN") or IP streaming at 8, 16, 32, 64, 128, 256 or 384 kbps.

*SwiftBroadband (Aeronautical)*

In October 2007, we launched our SwiftBroadband services to the aeronautical sector, which can be accessed by end-users through dedicated terminals specifically designed for use in-flight. SwiftBroadband offers simultaneous voice and data connectivity of up to 432 kbps.

SwiftBroadband is suitable for a range of applications from aircraft operation and management to cabin applications such as e-mail, internet access, SMS text messaging and integration into in-flight entertainment systems. SwiftBroadband is also being deployed commercially and in trials for the in-flight use of cellular phones and personal digital assistants (“PDAs”), such as Blackberrys.

*SPS and GSPS*

In September 2006, we signed a collaboration agreement with ACeS, an L-band MSS operator located in Indonesia, through which we acquired certain intellectual property relating to their existing handheld satellite phone service. This acquisition provided the platform for the introduction of a regional handheld satellite phone service, now called SPS. Subsequently we expanded the regional coverage of SPS and added fixed and maritime versions of the service, aimed at offering low-cost voice services to end users. In June 2010 we expect to launch a global handheld satellite phone service, which we refer to as GSPS. The launch of GSPS follows an extensive network upgrade and end-user terminal development programme.

In January 2009, we appointed Sasken Communications Technologies Limited ("Sasken") to lead the GSPS development programme. In October 2009, we entered into a manufacturing contract with Elcoteq, a leading telecommunications hardware manufacturer based in Tallinn, Estonia, for the production of our GSPS terminal, which will be called the IsatPhone Pro.

**Services to End-Users**

*Services to Maritime End-Users*

We provide MSS to the maritime sector. For 2009, the maritime sector represented 52% of our total MSS revenues, of which approximately 29% was generated by voice services and 71% was generated by data services (as compared with 54%, 32% and 68%, respectively, for 2008).

We provide the following Existing and Evolved Services to the maritime sector: Inmarsat B, Inmarsat C, Mini-C, Inmarsat D+, Inmarsat M, Mini M, Fleet 33, Fleet 55, Fleet 77 and Fleet 77 128K. We also offer a broadband service, FleetBroadband, as well as leasing services to the maritime sector. These products offer global voice services and data transmission rates ranging from 600 bps to 432 kbps.

End-users of our services in the maritime sector include companies engaged in merchant shipping, passenger transport, fishing, energy and leisure, as well as government and maritime patrol organisations (such as navies and coast guards). Merchant shipping accounts for the bulk of our maritime revenues, as those ships spend the majority of their time at sea away from coastal areas and out of reach of terrestrial communication services.

Maritime end-users utilise our satellite communications services for the following:

- *Data and information applications*. Ship crew and passengers use our services to send and receive e-mail and data files, and to receive other information services such as electronic newspapers, weather reports, emergency bulletins and electronic charts and their updates. The new data speeds we now offer through FleetBroadband also allow video conferencing.

- *Vessel management, procurement and asset tracking*. Ship operators use our services to manage inventory on board ships and to transmit data, such as course, speed and fuel stock. Our services can be integrated with a global positioning system to provide a position reporting capability. Many fishing vessels are required to carry terminals using our services to monitor catches and to ensure compliance with geographic fishing restrictions. Furthermore, pursuant to the IMO resolution relating to long range identification and tracking, new security regulations will be introduced requiring tracking of merchant vessels in territorial waters.

- *Voice services for passengers and crew*. Voice services are used for both vessel operations and social communications for crew welfare. Merchant shipping operators increasingly use our services to provide phone cards and/or payphones for crew use with preferential rates during off peak times during the day.

- *Safety*. In addition to our commercial activities, we provide GMDSS safety services to the maritime sector. Ships in distress use our safety services to alert a maritime rescue coordination centre of their situation and position. The rescue coordination centre then uses our services to coordinate rescue efforts among ships in the area. The IMO requires all cargo vessels over 300 gross tons and all passenger vessels, irrespective of size, that travel in international waters to carry distress and safety terminals that use our services. We are currently recognised by the IMO as the sole provider of the satellite communications services required for GMDSS.

*Services to Land-Based End-Users*

We provide MSS to the land mobile sector globally, providing services to areas not served or under-served by existing terrestrial communications networks. We believe that increasing workforce mobility and widespread demand for reliable mobile communications devices capable of delivering higher data rates should contribute to increasing demand for our land-based data services by users operating outside the coverage of terrestrial networks.

For 2009, the land mobile sector represented 22% of our total MSS revenues, of which voice services generated approximately 6% and data services generated approximately 94% as compared with 23%, 8% and 92%, respectively, for 2008.

Military and government agencies constitute the largest end-users in the land mobile sector and demand reliable, high quality services. In addition to military and government users, aid organisations, media, construction, energy and transport companies utilise our land mobile services. Global security events, such as the recent conflicts and peacekeeping operations in Afghanistan and Iraq, and relief missions in response to natural disasters tend to drive periods of increased usage of our services.

We provide the following Existing and Evolved Services to the land mobile sector: Inmarsat B, Inmarsat C, Inmarsat D+, Inmarsat M, Mini M, GAN and IsatM2M. We also offer BGAN services and SPS to the land mobile sector. These products offer data transmission rates ranging from 600 bps to 492 kbps (or higher, where multiple terminals are bonded).

Our land-based end-users utilise our satellite communications services for:

- *Voice, Data and Videophone*. Media companies and multinational corporations use our services for video conferencing, business telephony and to provide pay telephony services for employees in communities inadequately served by terrestrial networks. Media organisations transmit live broadcast-quality voice, live video and store-and-forward video footage and still images using our services.

- *Mobile and Remote Office Connectivity*. A variety of enterprises use our services to place and receive voice calls, access data, e-mail, digital images, internet and facilitate corporate network connectivity.

- *Vehicle and Facilities Management*. Our services are used to monitor the location of transport fleets and to conduct two-way communications with drivers. Governments and multinational corporations use our services to run applications that enable the remote operation of facilities such as lighthouses, oil pipelines and utilities networks.

*Services to Aeronautical End-Users*

We provide MSS to the aeronautical sector. For 2009, the aeronautical sector represented 11% of our total MSS revenues as compared with 10% for 2008. In the aeronautical sector, our satellite communications services are used by government users, corporate jet operators, and commercial

airlines. Avionics from our hardware partners have become factory options or standard equipment on a range of aircraft in business aviation and air transport.

We provide the following Existing and Evolved Services to the aeronautical sector: Aero C, Aero H/H+, Aero I, Aero L, Mini M and Swift 64. We also offer a broadband service, SwiftBroadband, to the aeronautical sector. These services offer voice and data communication rates ranging from 600 bps up to 432 kbps per channel. The Aero L, I, H and H+ services are compliant with ICAO's standards for provision of safety services.

Aeronautical users utilise our satellite communications services for:

- *Air Traffic Control Communications ("safety services")*. Aircraft crew and air traffic controllers use our services for data and voice communication between the flight deck and ground based control facilities. This includes ADS (Automatic Dependent Surveillance) for waypoint position reporting, ACARS/FANS (Aircraft Communication and Reporting System/Future Air Navigation System) for data link messages between the controller and an aircraft and CPDLC (Controller Pilot Data Link Communication) for clearance and information services. Examples of our safety services include user co-ordinated revisions of flight plans en route and transmission of aircraft systems' data to the ground.

- *Operational Communications*. Aircraft crew and airline ground operations use our services for air-to-ground telephony and data communications. For example, aircraft systems' "mission critical" condition data can be transmitted to the ground or administrative data can be transferred to the aircraft.

- *Aeronautical Passenger Communications.* Our services are used for air-to-ground telephony, data services, communications and as the enabler for in-flight mobile phone systems allowing passengers to communicate using their own mobile phones, Blackberrys and other PDAs.

**End-User Terminals**

Our data and voice services are provided over a range of communications terminals with different bandwidth capabilities, sizes, mobility and cost. Some of these terminals also provide maritime and air safety services. As size and portability are not as critical for maritime and aeronautical based users, the terminals available to these users are often larger, more expensive and satisfy the users' requirements for stabilisation and more stringent pointing capabilities.

Specialised third parties manufacture our user terminals and, except in the case of SPS terminals, sell them to end-users directly or via their own independent sales channels, as do our distribution partners and service providers. In the case of SPS terminals (and our planned GSPS terminals), we sell these terminals directly to our distribution partners. We establish the performance specifications of all terminals used to access our services with the terminal manufacturers. This helps us to ensure that our service quality objectives are met.

Our broadband and SPS terminals are designed to provide access via our Inmarsat-4 satellites. Our broadband terminals use the same Subscriber Identity Module ("SIM") cards as terrestrial wireless terminals. This inter-operability enables distribution partners and service providers to deliver a single bill to users for both their mobile satellite and terrestrial communications services, subject to the establishment of appropriate roaming agreements.

**Leasing**

We lease capacity on our satellites to distribution partners who in turn provide the capacity to end-users. Typically, our capacity leases are short-term, with terms of up to one year, although they can be as long as five years. We also lease specialised satellite navigation transponders on our Inmarsat-3 and Inmarsat-4 satellites primarily for the provision of navigation services to U.S. and European civil aviation organisations, for up to five years. For 2009, total leasing revenues represented 15%, of our total MSS revenues as compared with 13% for 2008.

**Distribution**

On 15 April 2009, new Distribution Agreements, which we have entered into with all of our distribution partners, came into effect. These agreements cover our Existing and Evolved Services distributed through our network of land earth station ("LES") operators, our broadband and SPS services as well as future services that we may elect to offer via our network to distribution partners. We currently have over 30 distribution partners who sell our services to end-users, either directly or through a network of over 400 service providers. In 2009, our two largest distribution partners, Stratos and Vizada, accounted for 40% and 36% of our MSS revenues, respectively. In addition, Stratos provides network services to other Inmarsat distribution partners for which we charge Stratos directly under the terms or our Distribution Agreements. When the charges for services provided by Stratos to other distribution partners are aggregated with Stratos' own charges, Stratos accounted for 43% of our MSS revenue in 2009.

On 15 April 2009, our parent company, Inmarsat plc, acquired Stratos. As a result of the acquisition, Stratos is now a wholly-owned subsidiary of the Inmarsat plc group, but is not a subsidiary of the Group and is therefore not consolidated in our results of operations. Stratos remains subject to the terms of our Distribution Agreements and continues to purchase services from us on a basis consistent with terms offered to other distributors. We may agree in the future to an internal reorganisation of our parent company subsidiaries, such that Stratos would become a wholly-owned subsidiary of the Group.

*Existing and Evolved Services*

Our Existing and Evolved Services are distributed by agreement through the network of our LES operators. This arrangement is governed by bilateral agreements, which we refer to as SSAAs, between us and each distribution partner each of which came into effect on 15 April 2009 and replaced the former LES operator agreements.

These agreements have an initial minimum period of five years, but have no fixed term. Any SSAA may be terminated after the initial period with two years written notice by us.

While there are similarities between the SSAAs and the former LES operator agreements, there are substantive differences including among others:

- our ability to own and operate LESs for our Existing and Evolved Services;
- our ability to contract directly with end-users for any service that we provide;
- greater flexibility for us to amend wholesale pricing and other contractual terms after an appropriate notice period;
- reduced volume discounts over time; and
- shorter payment terms over time.

It remains the case that we do not set the retail prices that end-users pay for our services.

*Broadband and SPS Services*

The distribution of our broadband and SPS services is governed by bilateral NSDAs between us and each distribution partner, which came into effect on 15 April 2009. The NSDA terms and conditions apply to all these services (with each service having a different annex to a NSDA that includes more specific terms) as well as future services that we may elect to offer via our network to distribution partners. As a result new agreements will not need to be added for any future new service.

We distribute our broadband and SPS services through certain of our existing distribution partners who in turn offer these services to end-users. This group of distribution partners has been selected on the basis of their ability to deliver our broadband and SPS services to key end-user sectors and their willingness to invest significant resources to collaborate with us in the development and marketing of our broadband and SPS services.

While there are similarities between the NSDAs and the previous individual service distribution agreements, as with the SSAAs, there are substantive differences, including:

- our ability to contract directly with end-users;
- greater flexibility for us to amend wholesale pricing and other contractual terms after an appropriate notice period;
- reduced volume discounts over time;
- fewer restrictions on our ability to appoint new distribution partners; and
- shorter payment terms over time.

It remains the case that we do not set the retail prices that end-users pay for our services.

**Sales and Marketing**

Our sales and marketing organisation is structured as a MSS wholesaler, which leverages our extensive network of distribution partners and service providers. Our sales and marketing organisation interacts closely with our distribution partners and certain service providers to support them in marketing our Existing and Evolved and broadband services to end-users. We engage in targeted joint marketing activities with them to attract end-users to our services. At the same time, a key function of our sales and marketing organisation is to gather, review and analyse end-user market intelligence as an important source of information towards our business and product strategy.

**Our Satellites**

The key characteristics of our satellite generations are summarised in the following table:

| Key characteristics | Inmarsat-2 | Inmarsat-3 | Inmarsat-4 |
|---|---|---|---|
| Number of satellites | 4 (3 in orbit) | 5 (all in orbit) | 3 (all in orbit) |
| Coverage and spot beams | Global beam | Global beam and 6 wide spot beams [1] | Global beam, 19 wide spot beams [1] and 200+ narrow spot beams [2] |
| Launch dates | October 1990 – April 1992 | April 1996 – February 1998 | March 2005, November 2005, and August 2008 |
| Orbital position (on the equator) | 142W, 98W, 109E | 64E, 15.5W, 178E, 54W, 25E | 143.5E, 25E, 98W |
| Geographic coverage | Global (other than extreme polar regions) | Global (other than extreme polar regions) | Global (other than extreme polar regions) |
| Manufacturer | British Aerospace | Lockheed Martin | Astrium |
| Payload [3] | Hughes | Marconi | Astrium |
| Launch vehicle | Delta, Ariane | Atlas Centaur, Proton, Ariane | Atlas V, Sea Launch, and Proton |
| Cost (including launch insurance) | US$675.0 million | US$895.0 million | US$1.1 billion |
| End of life [4] | 2014 | 2018 | 2020 |

(1) A wide spot beam has an average diameter of approximately 3,400 kilometres (2,100 miles), covering an area approximately the size of the continental United States.

(2) A narrow spot beam has an average diameter of approximately 800 kilometres (500 miles), when pointed directly at the geographical regional immediately below the satellite (the "sub-satellite point"). This equates to an area approximately the size of Kenya. As the spot beam geographical coverage progressively moves away from the sub-satellite point, the geographical area covered by a narrow spot beam also progressively increases.

(3) Payload refers to communications subsystem.

(4) We calculate end of life estimates for our fleet of in-orbit satellites based on the latest information available for several factors. These factors include operational history, projections for remaining fuel on board, and the observed degradation of on-board systems in comparison to available redundancy. End of life estimates are subject to change and involve a degree of uncertainty.

*Inmarsat-2 and Inmarsat-3 Satellites*

Each of our Inmarsat-2 satellites and Inmarsat-3 satellites covers up to one third of the earth's surface, giving our services a global reach (except for the extreme polar regions).

Our satellites take advantage of the relatively wide coverage patterns of the antennae of mobile ground terminals with which they communicate to operate in orbits slightly inclined to the equator, thus reducing their station-keeping fuel requirements and thereby extending their operating lifetimes. The satellites contain on-board fuel to support both regular position maintenance manoeuvres and possible relocations to new orbital locations. All manoeuvres consume on-board fuel and therefore reduce the remaining operating life of a satellite. We have managed the manoeuvres of our satellites in order to optimise the usable life of our satellite fleet.

In 2006, we de-orbited one of our four original Inmarsat-2 satellites and now have three Inmarsat-2 satellites remaining in orbit.

*Inmarsat-4 Satellites*

In May 2000, we entered into a contract with Astrium for the development and construction of three Inmarsat-4 satellites. These satellites are designed to support our high-bandwidth data services by incorporating higher-power transponders that can be focused into narrower beams than our earlier satellites. Each of our new Inmarsat-4 satellites has more than 200 narrow spot beams and 19 wide spot beams in addition to its global beam. The satellites also employ technology that enables us to adjust the size, shape and power of spot beams to meet changing user demand. The design of the spot beams on our Inmarsat-4 satellites allows us to use the available spectrum more than 12 times more efficiently than is possible on our Inmarsat-3 satellites. Each Inmarsat-4 satellite is 60 times more powerful than an Inmarsat-3 satellite (measured by maximum equivalent isotopic radiated power ("EIRP") on the narrowest spot beam), and each of our Inmarsat-4 satellites is capable of providing approximately 16 times more communications capacity than each of our Inmarsat-3 satellites, based on estimates of forward and return data rates of GAN services on the Inmarsat-3 satellites and BGAN on our Inmarsat-4 satellites.

In February 2009 we successfully completed a satellite repositioning programme which created three new coverage regions for our Inmarsat-4 satellites, replacing the previous coverage areas. These new regions are referred to as the Americas, EMEA and Asia-Pacific. The repositioning programme was designed to optimise the data connectivity of our network while enabling global coverage for all our broadband services.

*Alphasat Programme*

On 8 November 2007, we entered into a contract with Astrium for the construction of a new satellite called Alphasat. Milestone payments for the construction phase began in March 2008 for work started at the Astrium plants in Portsmouth and Toulouse and at key subcontractor manufacturing sites. The programme is currently on schedule for delivery in 2012. On 20 May 2009, we announced that we had signed a contract with Arianespace for the launch of the Alphasat satellite using an Ariane 5 ECA launch vehicle.

The Alphasat satellite will be capable of providing our services across the complete 41 MHz of L-band mobile satellite spectrum available over the EMEA region. This capability provides greater flexibility in spectrum utilisation compared to the current Inmarsat-4 satellite for the EMEA region which is limited to providing service across 27 MHz of the L-band. In addition, we expect Alphasat's advanced digital processor capability and optimised antenna coverage will allow up to 50% more capacity for our services as compared to an Inmarsat-4 satellite.

## Ground Infrastructure

*Ground Infrastructure for our Inmarsat-2 and Inmarsat-3 Satellites*

Our existing Inmarsat-2 and Inmarsat-3 satellites receive and transmit our Existing and Evolved services through a network of LESs that are owned by our distribution partners. These LESs procure or provide the connections required to link our satellite system with terrestrial communications networks.

Our satellites are controlled from our satellite control and network operations centre in London via tracking, telemetry and control ground stations situated in the United States, Canada, Italy, Norway, China, New Zealand and Russia. Typically, with a repetition rate of about every 16 seconds, our satellites transmit a set of data about themselves comprising thousands of parameters. From our satellite control centre we manage each satellite's on-board system, maintain each satellite within its designated orbital location and monitor the performance data transmitted from each satellite, taking corrective actions as required. Our network coordination stations allocate channels among the LESs in their regions. Our satellite control centre, our six ground stations and our four principal network co-ordination stations are all connected by a variety of leased communications links.

Our operation and control infrastructure is designed to ensure that redundant facilities are available should components in our operation and control system fail. Most of our satellites can be controlled from two ground stations and we have a fully redundant back-up control centre that mirrors the functionality of our primary satellite control and network operations centre in London. During the three years ended 31 December 2009, our average satellite communications network availability exceeded 99.99%.

*Ground Infrastructure for Our Inmarsat-4 Satellites*

Following the successful launch of the third Inmarsat-4 satellite during the second half of 2008, we initiated, in late 2008, a series of changes to the orbital locations of our Inmarsat-4 satellites, including changes to the services being carried on these satellites.

At the conclusion of the changes made to the orbital locations of the three Inmarsat-4 satellites, three new regions were created—the Americas, EMEA and Asia-Pacific. Two of our existing satellite access stations (“SASs”), located at Fucino (Italy) and at Burum (The Netherlands), transmit and receive our broadband services via the EMEA satellite, located at 25 East longitude. These two stations provide complete site redundancy in case of partial or total outage of one SAS for these services. In early 2009, a new SAS located at Paumalu, Hawaii (U.S.) commenced operating over the Americas Inmarsat-4 satellite at 98W longitude and the Asia-Pacific satellite at 143.5 East longitude.

For our SAS sites in Italy, The Netherlands and the U.S. we incur costs for the operation of these facilities as part of service contracts with Telespazio S.p.A, Stratos and Intelsat Limited that form part of our network and satellite operations costs.

In respect of our SPS over the Inmarsat-4 Asia-Pacific region, we have established a gateway in Subic Bay, (Philippines) in cooperation with Philippine Long Distance Telephone Company and also operate via a gateway co-located at our Fucino SAS. Our next generation handheld service, GSPS, will be operated via upgraded facilities at the Subic Bay gateway, at the Fucino SAS facilities and at a new facility co-located at the Hawaii SAS.

## Billing

Our billing systems collect and process data relating to all of the communications services we provide over our satellite network.

For circuit-switched Existing and Evolved data and voice services, where capacity is provided on a demand-assigned basis, our charges for the service commence from the time that one of our network co-ordination stations assigns a channel (when a signal is received by the network co-ordination station from one of our satellites) and end when the channel is released. For circuit-switched SPS, where capacity is provided on a demand-assigned basis, we charge for usage according to call

duration as measured at the appropriate switching centre. For packet-switched Existing and Evolved Services, provided on a demand-assigned basis, we charge on a usage basis according to the volume of data transmitted.

We also utilise certain of our satellites to provide dedicated leased capacity to our distribution partners for various Existing and Evolved Services, and to provide specialised navigational transponder facilities. Lease charges are determined by satellite availability, lease duration, and the capacity, measured by service type, power and bandwidth, provided under the lease.

Our broadband services are provided on a demand-assigned basis, with traffic being measured at the appropriate switching centre. For services other than streaming, we charge according to the volume of data transmitted. We market a number of rate plans, some of which feature advance payment in return for reduced rates and the facility to utilise the associated traffic allowance over an extended period of time. Streaming services are guaranteed IP communications services and are charged by connection duration.

Capacity provided on a demand-assigned basis is invoiced monthly and payable by the distribution partner on a monthly basis. Where capacity is leased, invoices are generated and payable by the distribution partner on a basis appropriate to the duration of the lease. Typically, for leases of 12 months or less, invoices are payable prior to commencement of the lease. Leases which are high value and for longer than 12 months are payable quarterly in advance.

**Insurance of Our Business and Insurable Assets**

*In-orbit Insurance*

We maintain commercially prudent levels of in-orbit insurance for our fleet of three Inmarsat-4 satellites. Our current in-orbit insurance policy is renewable annually each August. The cost of obtaining insurance may vary as a result of either satellite failures or general conditions in the insurance market. For future years, in-orbit insurance policies for our Inmarsat-4 satellites may not continue to be available on commercially reasonable terms, or at all.

We do not maintain in-orbit insurance for our Inmarsat-2 or Inmarsat-3 satellites due to the high level of operational flexibility and redundancy in our satellite fleet as a whole.

*Third-party Liability Insurance*

We maintain third-party legal liability insurance. This insurance cover is in respect of sums which we may become legally obligated to pay for bodily injury or property damage caused by an occurrence related to services provided through the Inmarsat network or arising out of the ownership and/or operation of the Inmarsat fleet of satellites and including liability arising under the Convention on International Liability for Damage Caused by Space Objects (TIAS 7762) and the United Kingdom Outer Space Act 1986.

**Intellectual Property**

*Our Brand*

Our main brand is "Inmarsat". The word "Inmarsat" is a trade mark licensed to us exclusively and perpetually by the International Mobile Satellite Organization ("IMSO"). We have the right to have IMSO apply for registration of this trade mark in the name of the IMSO in any country in the world. The trade mark is currently registered for equipment and services that are important to our business in countries, including Australia, Brazil, The Netherlands, Belgium, Luxembourg, China, France, Germany, Norway, Singapore, Mexico, New Zealand, the United Arab Emirates, Egypt, Japan, Russia, South Africa, the United Kingdom and the United States. In addition, we currently have a trademark application pending in Canada for our brand name.

Our licence from IMSO allows us to grant sub-licenses. We have granted non-exclusive and royalty-free sub-licences to, among others, our distribution partners and service providers to use the Inmarsat brand on the basis of the IMSO License.

*Protecting Our Technological Developments*

We use reasonable efforts to protect certain significant technology by filing patent applications in key jurisdictions. Our key jurisdictions vary depending on the technology involved. Patent applications are ordinarily filed in the United States, key European countries, Hong Kong, China, Canada, Mexico, the United Arab Emirates and Japan. Priority applications are usually filed in the United Kingdom.

In addition to the above, or where patent protection is not possible or practicable for us to obtain, we seek to protect significant information about our technology, or "know-how", by releasing it only to those third parties who have a reasonable need to access it (for example, for "Inmarsat Purposes," in connection with the design, development, manufacture, reconstruction, modification, establishment, operation or maintenance of equipment, components or software capable of use, either directly or indirectly, with the satellites and other centralised infrastructure owned, leased or operated by us or on our behalf) and who have signed confidentiality agreements or licence agreements containing strict confidentiality obligations.

*Key Operational Software*

We own some of the key operational software used in our satellite control and network operations centre because it was created by our employees or by outside consultants who have transferred their intellectual property rights in that software to us. The main software suites of this kind are an off-air monitoring system, an Inmarsat network monitoring system, both of which are used in our network operations centre, and the Inmarsat storm satellite support system suite of software used to control our satellite fleet and ground stations. In certain circumstances we commercially supply our satellite control software to third parties, as a way of reducing maintenance costs, funding additional safety features for satellite control and retaining critical operational skills in the business.

The rest of our operational software is custom designed by either third parties who have retained the intellectual property rights in it, but licensed those rights to us (normally on a non-exclusive, royalty-free, perpetual, worldwide basis) for use for Inmarsat Purposes, or by our employees based on existing software supplied by third parties who have granted to us licences to adapt that software.

All of our key operational software is supported by appropriate technical maintenance and support arrangements that are either provided by our own employees or by third parties.

**Competition**

We face competition from a number of communications technologies in a number of the target sectors for our services. It is likely that we will continue to face significant competition in some or all of our target sectors in the future.

*Global MSS Competitors*

We currently face competition globally from two MSS operators, Iridium, which provides satellite services on a global basis, and Globalstar, which provides satellite services on a multi-regional basis. Both Iridium and Globalstar operate in different frequencies to us (the "big LEO" band), and as a result, their operations do not interfere with our L-band operations or compete for spectrum in the L-band.

After commencing operations in 1998, Iridium filed for U.S. bankruptcy protection in March 2000 and recommenced service in early 2001. Since then, we have faced increasing competition from Iridium in some of our most material target sectors, particularly in relation to voice and our lower speed data services in the maritime and land mobile sectors. Iridium provides data and voice services at rates of up to 9.6 kbps using compression software. In 2006, Iridium introduced a packet data service called Short Burst Data which competes with our IsatM2M and Inmarsat D+ services. In 2008, Iridium announced the introduction of a higher rate data service, OpenPort, targeted at the maritime sector, which competes with our maritime data services. The terminals used to access Iridium services are generally handheld devices that are smaller and less expensive than the terminals used to access our traditional services. In addition, Iridium's end-user call charges are competitive with, and in some cases lower than, the rates offered by our distribution partners and service providers for our

comparable services. In September 2009, Iridium was acquired by a special purpose acquisition corporation, Greenhill Acquisition Corporation, under a transaction through which Iridium effectively became a corporation publicly traded on the U.S. NASDAQ exchange.

Iridium has stated that its current constellation of satellites will provide a commercially acceptable level of service through 2014 and has plans to deploy a follow-on constellation of new satellites, called Iridium NEXT, with enhanced service capability. Iridium has also stated that it estimates that the total cost of Iridium NEXT, together with related infrastructure costs, will be US$2.7 billion. As of the date of this report, Iridium has not announced an order for new satellites.

Globalstar, which operates a multi-regional low-earth orbit system, began introducing commercial services in 2000. In February 2002, Globalstar filed for bankruptcy protection, which it exited in 2004 following its acquisition by Thermo Capital Partners. Globalstar was listed publicly on the NASDAQ exchange in October 2006. Despite near-global satellite coverage, Globalstar's service is available only on a multi-regional basis as a consequence of gaps in its ground transmission facilities. Globalstar has announced plans to reduce such gaps. The Globalstar system provides data and voice services at transmission rates of up to 9.6 kbps. Globalstar's end-user call charges are competitive with, and in some cases lower than, the rates offered by our distribution partners and other service providers for our comparable services.

In December 2006, Globalstar signed a contract with Thales Alenia Space for a new constellation of 48 satellites. Globalstar has stated that it estimates that the total cost of the new satellites, including the launch of the first 24 satellites and related infrastructure, will be US$1.3 billion through 2013. Globalstar expects to commence the launch of the first of these new satellites in mid 2010.

In February 2007, Globalstar announced that it was experiencing accelerated degradation of the amplifiers for S-band satellite communications in many of its satellites. This degradation has resulted in a significant adverse impact on Globalstar's ability to provide uninterrupted two-way voice and data services on a continuous basis in any given location. However, Globalstar successfully launched eight spare satellites during 2007 which do not have the S-band amplifier problem.

*Regional MSS Competitors*

There are a number of regional mobile satellite operators with whom we compete in the provision of services to end-users who do not require global or multi-regional services. All of these competitors operate geostationary satellites. Some of them provide data and voice services at transmission rates ranging from 2.4 to 9.6 kbps while others provide data at transmission rates of up to 444 kbps. Our regional mobile satellite competitors currently include Thuraya, principally in the Middle East, Africa and Asia and SkyTerra Communications, Inc. (“SkyTerra”) (formerly Mobile Satellite Ventures) in the Americas.

Thuraya offers voice and data services at transmission rates of up to 444 kbps in Europe (excluding parts of Scandinavia), Northern and Central Africa, the Middle East, parts of Central Asia and the Indian subcontinent. Thuraya supports GSM roaming services. In 2008, Thuraya successfully launched and brought into commercial service a new satellite which provides additional coverage across the "Asia-Pacific" region.

SkyTerra offers voice and low-speed data services in the Americas using vehicle mounted devices that are smaller in size and less expensive than comparable Inmarsat terminals. On 8 November 2004, the FCC issued an order granting SkyTerra an ATC licence and approving several waivers of the ATC Ruling that SkyTerra requested, while deferring ruling on certain additional waivers.

SkyTerra is constructing two satellites to support its ATC service, SkyTerra 1 and SkyTerra 2. SkyTerra intends to launch the first of these satellites in 2010 and the second satellite in 2011.

Thuraya and SkyTerra both operate in the L-band, SkyTerra in Region 2 (North America), Thuraya in Region 3 (Asia and Australia) and Region 1 (Europe, Middle East and Africa) and ACeS in Region 3, and therefore compete with us for spectrum allocations in the L-band.

We face additional competition in the regional markets. ICO and TerreStar have announced that they are planning to deploy an integrated MSS/ATC service in North America. ICO successfully launched a satellite in 2008 and introduced trial services in two U.S. cities, including live television, interactive navigation, and two-way messaging services for vehicles in North America.

In July 2009, TerreStar successfully launched its first satellite, which recently completed in-orbit testing and is expected to enter commercial service across the United States in 2010 through a commercial partnership with AT&T. TerreStar's principal product is a dual mode satellite/3G terrestrial mobile smartphone focused on the U.S. government, emergency responders, enterprises and rural communications sectors.

Both ICO and TerreStar will operate in the S-band, which does not interfere with our L-band operations. Because there is more contiguous spectrum available in the S-band, TerreStar will be able to provide higher-speed multimedia services which will compete with our recently launched higher-speed data services.

*VSAT Service Competitors*

We face growing competition in some of our sectors from communications providers such as ARINC, CapRock, KVH, Row 44, MTN, ShipEquip and Vizada, who operate private networks using VSATs or hybrid systems to target business users. VSATs are fixed transportable or mobile terminals that access higher bandwidth services provided over satellite systems operating in the C-band, Ku-band and Ka-band radio frequencies. As well as new operators entering this area, the addition of further FSS satellite capacity is providing further competitive price pressure on the cost to end-users of VSAT services. Communication services provided by VSATs are primarily targeted at users who have a need for high-volume or high-bandwidth data services, although new entrants into the sector are offering lower volume and bandwidth products in competition with our services. The coverage area of VSAT services is not as extensive as the coverage area of MSS services, but is growing rapidly to meet demand and is expected to be substantially global within the next few years. Technological innovation in VSATs, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors by permitting smaller, more flexible and less expensive systems.

*Terrestrial Competitors*

We generally provide services primarily in areas that terrestrial networks do not serve at all or for which they are not the most cost effective or technologically best suited solution.

However, gradual extensions of terrestrial wireline and wireless communications networks and technologies to areas not currently served by them may reduce demand for our existing services and other services that we expect to provide. We expect that future extensions of terrestrial networks will be driven by economic returns generated by extending wireline or wireless networks. We also expect that many underdeveloped areas will be too sparsely populated to generate returns on investment required to build terrestrial communications networks. Unlike our terrestrial competitors, we can provide communications services to these underdeveloped areas at no incremental cost.

## REGULATION

### *Introduction*

Our business is subject to the regulatory authority of the UK government, as well as of the national authorities in the countries in which we operate. We are also subject to the regulations of various international organisations, including the International Telecommunication Union ("ITU"), IMSO and the European Union ("EU"). As part of its contractual relationships with its distributors, Inmarsat requires them to comply with all of the various legal requirements with which Inmarsat is required to comply.

### *Regulation of Our Satellite System and International Spectrum Co-ordination Procedures*

Our 11 in-orbit satellites are licenced under the UK Outer Space Act, which requires us to provide an indemnity to the UK government for any claims brought against it as a result of our licensed activities, and to obtain related insurance coverage, which we have done.

The frequency bands and orbital locations used by our satellites and the related ground infrastructure are registered by the ITU, the United Nations treaty organisation that publishes the Radio Regulations, the detailed rules for use of spectrum. All necessary filings for our in-orbit satellites have been made on our behalf by the UK regulator Ofcom. Once filings have been made with the ITU, a frequency co-ordination process is undertaken periodically on a regional or bilateral basis to ensure that each operator's services do not cause unacceptable interference to the services of other operators. We have co-ordinated frequencies in the mobile satellite services spectrum at L-band (1.5 and 1.6 GHz) for communication between our satellites and end-user terminals, as well as frequencies in the C-band (4 and 6 GHz) for communications between SASs and our satellites. We also have coordinated frequencies in the C-band for our tracking, telemetry and command signals to and from our satellites. In general, increased competition for spectrum and orbital locations (and/or disputes with parties to regional co-ordination processes) may make it difficult for us to retain rights to use the spectrum and orbital resources we require either generally or in relation to particular regions or countries.

Our agreements with our distribution partners who operate the SASs that connect our satellites to terrestrial communications networks include provisions to ensure that they hold the appropriate licenses to operate these LESs. In respect of our most recent Inmarsat-4 satellite fleet, we operate our own SASs located in the United States (Hawaii), The Netherlands (Burum) and in Italy (Fucino), and we have obtained the necessary licences for the operation of these SASs as network facilities.

In the majority of countries we have not been required to obtain specific national telecommunications or spectrum licences to transmit our satellite signals or offer our existing services, although we or our distributors have been required to obtain specific telecommunications or frequency licences with respect to our existing services in a number of countries. Increasingly, regulatory authorities are imposing fees and introducing new regulatory requirements on businesses that use radio frequencies, which could significantly affect our business, including by imposing new and unforeseen additional costs and limiting our ability to provide existing or new services.

Different regulatory regimes apply to the use of end-user terminals depending on where they are located and whether they are installed on ships, or on aircraft, or are for land use. Inmarsat, its distribution partners or end users obtain permission to provide Inmarsat services via such end-user terminals, as appropriate. In addition to licences for the use of spectrum, end-user terminals must also comply with applicable technical requirements intended to minimise radio interference to other communications services and ensure product safety.

**Other Regulatory Requirements**

In addition to licensing, many countries apply additional communications regulatory requirements to the types of services Inmarsat offers. Some countries require telecommunications service providers to contribute funds to 'universal service' programmes, and Inmarsat and/or our distribution partners and/or their service providers, may be required to make contributions to these programmes, which may increase the cost of providing services over our system.

Generally, communications networks operate under national regulations that require operators to provide assistance to law enforcement and security agencies. We and our distribution partners who operate SASs are required to comply with these regulations in a number of jurisdictions, which may restrict our ability to offer our services in some countries or increase our costs.

Inmarsat also must comply with U.S. export control requirements and sanctions regulation, including the Arms Export Control Act, the International Traffic in Arms Regulations (“ITAR”), the Export Administration Regulations, and the Office of Foreign Assets Control regulations. The United States regulates the export and re-export of commercial communications satellites and most satellite-related components, subsystems, software and technology as defense articles under the Arms Export Control Act. Exports of these items from the United States require licensing by the U.S. Department of State after consultation with the U.S. Department of Defense. Technical cooperation arrangements between U.S. and UK companies also require such approval. The launch location and launch-related technical arrangements for U.S. satellites, and for foreign satellites containing regulated U.S. origin components, also require separate approval by the U.S. State Department. A number of satellite components and satellite-related services for our Inmarsat-4 satellites were sourced from U.S. suppliers and we or our suppliers have successfully obtained all relevant licences and approvals from the U.S. State Department.

Inmarsat is, in addition, required to comply with the Export Administration Regulations enforced by the U.S. Commerce Department. These rules apply to many relevant technologies other than satellites, such as terminal and networking equipment, and govern the export of such technologies on a country-by-country basis. Finally, Inmarsat also is required to comply with U.S. sanctions rules as promulgated by the U.S. Treasury Department’s Office of Foreign Assets Control. Under these rules, Inmarsat is restricted, or in some cases prohibited, from doing business, directly or indirectly, with certain countries and the nationals thereof.

To participate in classified U.S. government programmes, Inmarsat’s wholly-owned subsidiary Stratos Government Services Inc (“SGSI”) sought and obtained security clearances from the U.S. Department of Defense as required under the national security laws and regulations of the United States by entering into a special security agreement (“SSA”) with the U.S. government. The SSA is designed inter alia to mitigate non-US ownership and control of SGSI as regards SGSI’s performance of classified U.S. government programmes. If the SSA is materially breached by SGSI or Inmarsat, SGSI may be suspended or debarred from performing any US government contracts, whether classified or unclassified.

IMSO oversees our provision of satellite communications services to support maritime safety services. If we were to breach this public service obligation, IMSO has various powers to compel us to perform those obligations.

***Use of Mobile Satellite Service Spectrum to Provide Terrestrial Communications Services & the Cooperation Agreement with SkyTerra***

The FCC has authorized the U.S. MSS operator SkyTerra to use L-band band mobile satellite service frequencies to provide ATC wireless communication services in the United States as part of an integrated MSS/ATC service. In December 2007, Inmarsat entered into a Cooperation Agreement with SkyTerra which provides a framework for collaboration on the deployment by SkyTerra of a North American hybrid MSS/ATC network, subject to certain pre-conditions which have not yet been satisfied. The purpose of the agreement is to increase spectrum efficiency to provide contiguous spectrum in larger blocks and protect both MSS and ATC operations from inter-system interference. Should SkyTerra deploy an MSS/ATC network, it is obliged both to support our activities required to implement the necessary inter-system and spectrum coordination, as well as pay us substantial sums

by way of spectrum lease payments. Certain provisions in our Cooperation Agreement with SkyTerra are also designed to offset the impact that deployment of ATC in the United States would have on users of Inmarsat services. In December 2009, SkyTerra paid US$31.25m in cash to Inmarsat to maintain these Cooperation Agreement arrangements in place until 1 September 2011. In the event that SkyTerra has not notified us of its intent to deploy a North American hybrid MSS/ATC network by, at the latest, September 2011, the parties have made provision for the unwinding of their ATC collaboration to an agreed spectrum coordination outcome that is expected to support each party's respective independent business activities in the Americas for the foreseeable future.

The EU has developed a similar regulatory regime for the deployment of terrestrial communications services in satellite spectrum, known as Complementary Ground Component ("CGC"). In May 2009, an indirect subsidiary of the Company, EuropaSat Limited, was one of two applicants each awarded the right to deploy 2x15 MHz each of contiguous 2 GHz frequencies (S-band) by the European Commission for use in a pan-European 'hybrid' satellite and complementary terrestrial deployment. The EC S-band award is made subject to certain conditions, and creates a framework for the licensing of hybrid communications systems throughout the 27 Member States of the EU. The Member States are in the process of developing national regulations to accommodate and oversee the deployment of such hybrid networks in their respective jurisdictions.

**Employees**

The following table sets out the average numbers of persons we employed for the years ended 31 December 2009 and 2008 by main category of activity:

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| **Category of activity** | | |
| Operations | 181 | 175 |
| Sales and marketing | 87 | 79 |
| Development and engineering | 79 | 87 |
| Administration | 136 | 125 |
| **Total** | 483 | 466 |

In 2009, the total compensation paid to (or accrued with respect to) our employees was US$110.4m as compared with US$104.2m for 2008.

The majority of our employees work in London, United Kingdom. The remainder work generally in the United States, Dubai and Indonesia. Our multicultural workforce comprises more than 45 nationalities, which is important to the operation of our global business.

We do not recognise an official labour union although some of our employees have individual membership in such unions.

We believe that relations with our employees are good. We have ensured that employees are fully informed and involved in the business through the use of various communications methods. These include an elected representative group covering all employees that is constituted to provide formal employee consultation in accordance with multi-jurisdictional employment legislation and more generally through briefing sessions and discussions with groups of employees, circulation of newsletters, company announcements, the use of staff surveys, information releases and dissemination of information through normal management channels. Employees are actively encouraged to attend internal training courses to learn about our business, products and services.

We have a positive attitude towards the development of all its employees and do not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs. We give full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including making reasonable adjustments where appropriate or considering such staff members for alternative positions.

## Results of Operations

*The following is a discussion of the audited consolidated results of operations and financial condition of Inmarsat Group Limited ("the Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2009. 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. Our consolidated financial results are presented in US* dollars*. Some of the financial information appearing in this disclosure document has been rounded and, as a result, the totals of the information presented, in this disclosure document may vary slightly from the actual arithmetic totals of such information.*

## Revenues

During 2009, revenues from the Group were US$694.8m, an increase of US$60.1m, or 9.5%, compared with 2008. Growth has been driven by services such as BGAN, Swift 64, Fleet and FleetBroadband, as well as from new leasing business. The table below sets out the components of the Group's revenue for each of the periods indicated:

| (US$ in millions) | **2009** | **2008** | **Increase/ (decrease)** |
|---|---|---|---|
| **Revenues** | | | |
| **Maritime sector:** | | | |
| Voice services | 104.7 | 104.7 | – |
| Data services | 252.3 | 227.8 | 10.8% |
| **Total maritime sector** | **357.0** | **332.5** | **7.4%** |
| **Land mobile sector:** | | | |
| Voice services | 8.5 | 11.3 | (24.8%) |
| Data services | 138.0 | 130.5 | 5.7% |
| **Total land mobile sector** | **146.5** | **141.8** | **3.3%** |
| Aeronautical sector | 75.8 | 64.4 | 17.7% |
| Leasing | 103.5 | 79.7 | 29.9% |
| **Total MSS revenue** | **682.8** | **618.4** | **10.4%** |
| Other income | 12.0 | 16.3 | (26.4%) |
| **Total revenue** | **694.8** | **634.7** | **9.5%** |

Total active terminal numbers as at 31 December 2009 were 256,600, an increase of 11,700, or 4.8%, compared with 31 December 2008. There was growth in active terminals in both the maritime and aeronautical sectors, partially offset by a reduction in the land mobile sector. Maritime active terminals increased by 10.3% year over year, which included 26% growth in our base of active Fleet and FleetBroadband terminals. The increase in the number of maritime active terminals is also driven by sales of Inmarsat-C terminals, which are often installed for regulatory compliance reasons, but generate low levels of traffic and revenue. In the land mobile sector, the number of active terminals reflects increased numbers of BGAN subscribers, being more than offset by reductions in older services, including GAN and Mini M, in addition to the discontinuation of the R-BGAN service as at 31 December 2008 (there were 4,700 active R-BGAN terminals at 31 December 2008 and nil at 31 December 2009). In the aeronautical sector, we have seen continued growth in Swift 64, SwiftBroadband and 'Classic' aero with increased active terminal numbers.

The table below sets out the active terminals by sector for each of the periods indicated:

| | As at 31 December | | Increase/ (decrease) |
|---|---|---|---|
| (000's) | 2009 | 2008 | % |
| Active terminals[(1)] | | | |
| Maritime | 171.8 | 155.8 | 10.3% |
| Land mobile | 73.7 | 79.0 | (6.7%) |
| Aeronautical | 11.1 | 10.1 | 9.9% |
| **Total active terminals** | **256.6** | **244.9** | **4.8%** |

(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 31 December. 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 31 December 2009, we had 205,844 SLDR terminals.

Growth in active terminals, adjusted to exclude the discontinued R-BGAN service, as at 31 December 2009 was 16,400 terminals, or 6.8%, compared with 31 December 2008.

**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. 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 (all services other than our broadband services, SPS and our planned 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, as Inmarsat Global's distribution partners met specific thresholds. 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 for the period 1 May 2009 to 31 December 2009 are based on the new structure where discounts remain constant through the period.

During 2009, volume discounts were US$53.4m, a decrease of US$10.4m, or 16.3%, compared with 2008. The decrease reflects the changes to the VDS resulting from the revised terms of the new distribution agreements – namely the reduced number of services eligible for volume discounts. Following the removal of our BGAN services from the VDS, we have also implemented certain price reductions for BGAN services, resulting in a neutral position for wholesale BGAN prices.

***Maritime Sector.*** During 2009, revenues from the maritime sector were US$357.0m, an increase of US$24.5m, or 7.4%, compared with 2008.

Revenues from data services in the maritime sector during 2009 were US$252.3m, an increase of US$24.5m, or 10.8%, compared with 2008. The increase in revenues from data services reflects greater demand, primarily as a result of the continued take-up and strong usage of our Fleet and FleetBroadband services, plus pricing changes. Partially offsetting the increase in revenue was a decrease in revenue from our Inmarsat-B service due to the natural run-off of this mature service. Active Inmarsat-B terminal numbers are reducing due to older ships being decommissioned or re-fitted with new equipment and new ships being fitted with Fleet and FleetBroadband terminals. In addition, there was a decrease in revenues from our Mini M service, where there is a long-term decline in demand for fax.

Revenues from voice services in the maritime sector during 2009 were US$104.7m, which was in line with 2008. Growth in demand for voice services among users of our Fleet and FleetBroadband services plus the beneficial impact of the new distribution agreements on average prices was offset by a decline in our Mini M service due to competition, as well as a decline in our mature Inmarsat-B service.

***Land Mobile Sector.*** During 2009, revenues from the land mobile sector were US$146.5m, an increase of US$4.7m, or 3.3%, compared with 2008.

Revenues from data services in the land mobile sector during 2009 were US$138.0m, an increase of US$7.5m, or 5.7%, compared with 2008. Continued strong growth in BGAN revenue and a pricing impact following the change to the new distribution agreements on 1 May 2009 was partially offset by the discontinuation of R-BGAN, which had revenues of US$8.6m during 2008 and the decline in GAN high-speed data traffic following reduced traffic levels in the Middle East as a result of troop withdrawals from Iraq.

Revenues from BGAN services for 2009 were US$98.7m, an increase of US$24.3m, or 33%, compared with 2008. These figures include voice, data and subscription revenues. As at 31 December 2009, active BGAN subscribers were 33,571 compared with 27,635 as at 31 December 2008, an increase of 5,936 or 21% year on year. BGAN revenue growth continues to be driven largely by new subscribers and increased traffic volumes from government users in Afghanistan and other territories.

Revenues from voice services in the land mobile sector during 2009 were US$8.5m, a decrease of US$2.8m, or 25%, compared with 2008. This continues the trend experienced over the last few years of declining traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from other MSS operators. The decline in our Mini M service revenues were also negatively impacted by the reduced requirements of a rural telephony contract in India during 2009.

***Aeronautical Sector.*** During 2009, revenues from the aeronautical sector were US$75.8m, an increase of US$11.4m, or 17.7%, compared with 2008. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 15.3% increase in active channels compared with 2008. Our Swift 64 service targets the government aircraft and business jet markets as well as being used by commercial airlines. In addition, revenues for low-speed data services benefited from increased industry demand. Finally, revenues also benefited from the early growth of SwiftBroadband services where at 31 December 2009 there were more than 500 SwiftBroadband channels activated on aircraft operating worldwide.

***Leasing.*** During 2009, revenues from leasing were US$103.5m, an increase of US$23.8m, or 30%, compared with 2008. The increase is a result of additional government contracts for maritime and land-based services and the expansion of Swift 64 leases from an aeronautical customer.

***Other income.*** Other income for 2009 was US$12.0m, a decrease of US$4.3m or 26%, compared with 2008, primarily due to a decrease in revenue from the sale of SPS end-user terminals. Other income consists primarily of income from the provision of conference facilities, renting surplus office space, fees for in-orbit support services, third party hosting services at our SAS sites and revenue from sales of SPS end-user terminals.

**Net operating costs**

Net operating costs in 2009 were US$199.4m, a decrease of US$4.0m, or 2.0%, compared with 2008. The table below sets out the components of the Group's net operating costs for each of the periods indicated:

| (US$ in millions) | **2009** | **2008** | **Increase/ (decrease)** |
|---|---|---|---|
| Employee benefit costs | 110.4 | 104.2 | 6.0% |
| Network and satellite operations costs | 43.3 | 39.7 | 9.1% |
| Other operating costs | 64.9 | 83.5 | (22.3%) |
| Work performed by the Group and capitalised | (19.2) | (24.0) | (20.0%) |
| **Net operating costs** | **199.4** | **203.4** | **(2.0%)** |

***Impact of hedged foreign exchange rate***. The functional currency of the Group is US dollars. Approximately 60% of the Group's costs are denominated in Pounds Sterling. Net operating costs in 2009 have been affected by a favourable movement in the Group's hedged rate of exchange from US$2.01/£1.00 in 2008 to US$1.92/£1.00 in 2009. The movement in the hedged rate of exchange in the year has resulted in a decrease in comparative costs of US$5.3m. The Group has completed hedging arrangements for its 2010 anticipated sterling costs at an average rate of US$1.49/£1.00.

***Employee benefit costs.*** Employee benefit costs during 2009 were US$110.4m, an increase of US$6.2m, or 6.0% compared with 2008. The increase can primarily be attributed to additional staff costs due to an increase in total full-time equivalent headcount (490 at 31 December 2009 compared to 475 at 31 December 2008), mid-year salary cost increases, higher staff bonus costs and higher stock compensation costs due to additional share-based incentive awards. Partially offsetting this increase was a decrease in staff costs due to the favourable movement in the Group's hedged rate of exchange.

***Network and satellite operations costs***. Network and satellite operations costs during 2009 were US$43.3m, an increase of US$3.6m, or 9.1%, compared with 2008. The increase is predominantly due to in-orbit insurance relating to our third Inmarsat-4 satellite which was insured under the launch contract until August 2009, as well as new support and maintenance contracts relating to our SAS in Hawaii. Partially offsetting this increase was a decrease in certain software maintenance costs and service contracts.

***Other operating costs***. Other operating costs during 2009 were US$64.9m, a decrease of US$18.6m, or 22%, compared with 2008. The decrease relates to the movement in the Group's hedged rate of exchange, lower professional fees and a foreign exchange gain of US$7.9m recognised in 2009 compared with a gain of US$1.4m recognised in 2008. Partially offsetting the decrease were fees in relation to the Segovia acquisition which have been expensed in anticipation of the adoption of IFRS 3 (as revised), 'Business Combinations' in relation to transactions completing after 1 January 2010.

***Work performed by the Group and capitalised***. Own work capitalised during 2009 was US$19.2m, a decrease of US$4.8m, or 20%, compared with 2008. The decrease was predominantly due to the shift in work from our BGAN and Inmarsat-4 programmes which culminated in 2008, to the development of the GSPS network and terminals and the Alphasat satellite project. We have experienced lower activity allowable for capitalisation for these projects due to their nature and the phase of the projects.

**EBITDA**

As a result of the factors discussed above, EBITDA for 2009 was US$495.4m, an increase of US$64.1m, or 14.9%, as compared with 2008. EBITDA margin increased from 68.0% for 2008 to 71.3% for 2009, primarily as a result of increased revenues and reduced costs, including a favourable movement in our hedged rate of exchange.

**Depreciation and Amortisation**

During 2009, depreciation and amortisation was US$179.9m, an increase of US$12.9m, or 7.7%, compared with 2008. The increase is predominantly due to commencing depreciation on the third Inmarsat-4 satellite and Inmarsat's third SAS in Hawaii, following the introduction of commercial services in January 2009.

**Operating Profit**

As a result of the factors discussed above, operating profit during 2009 was US$315.5m, an increase of US$51.2m, or 19.4%, compared with 2008.

### Net Interest Payable

Net interest payable for 2009 was US$93.5m, an increase of US$21.4m, or 30%, compared with 2008.

Interest payable for 2009 was US$96.4m, an increase of US$13.1m, or 15.7%, compared with 2008. The increase in net interest payable is largely due to one-off items arising in connection with the Refinancing. These one-off items total US$8.6m and comprise the write-off of unamortised issue costs of US$0.3m and US$4.2m in relation to the Previous Senior Credit Facility and the Senior Notes due 2012, respectively, as well as the recognition of the redemption premia of US$4.1m in respect of the Senior Notes due 2012. Adjusting for the one-off items in connection with the Refinancing, the underlying net interest payable for 2009 would have been US$87.8m, an increase of US$4.5m. The underlying increase was due to an increase in interest incurred on interest rate swaps in place during 2009, in addition to an unrealised foreign exchange loss on the Group's pension and post-retirement scheme liabilities in 2009.

Partially offsetting the increase in interest payable was lower interest payable following the purchase of US$3.3m of the Senior Notes due 2012 in September 2009, and lower interest payable on the floating portion of the Groups Senior Credit Facility as a result of the reduction of LIBOR. Furthermore, interest payable in 2009 reflects a credit of US$4.4m (2008: US$0.9m), following the application of IAS 23 (as revised), 'Borrowing Costs'. Borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ("qualifying assets") will be capitalised and added to the cost of those assets.

Interest receivable for 2009 was US$2.9m, a decrease of US$8.3m, or 74%, compared with 2008. In 2008 we experienced an unrealised foreign exchange gain on the pension and post-retirement scheme liabilities, due to the movement of the US dollar exchange rate during 2008. In addition, we recorded lower interest receivable on cash balances following the reduction in interest rates. Offsetting these was the write-back of the capitalised premium on the Senior Notes due 2012 of US$0.5m.

### Profit Before Tax

For 2009 profit before tax was US$222.0m, an increase of US$29.8m, or 15.5%, as compared with 2008. The increase was due to increased revenues, decreased operating costs, partially offset by an increase in net interest payable and depreciation and amortisation. The increase in profit before tax has been negatively impacted by the one-off items relating to the Refinancing. Excluding these one-off items, profit before tax for 2009 would have increased by 19.7% compared to 2008.

### Income Tax Expense

The tax charge for 2009 was US$50.4m, compared with a tax credit of US$164.2m for 2008. The switch from a tax credit to a tax charge can largely be explained by the recognition of tax credits totalling US$218.6m in 2008, in relation to a finance lease and operating leaseback transaction that was entered into in 2007.

Partially offsetting the increase in the tax charge was a reduction in permanently disallowable expenditure, the reversal of a previously held deferred tax liability and the reduction in the projected UK Corporation Tax rate from 28.5% to 28%.

Excluding the impact of the finance lease and operating leaseback transaction, the underlying effective tax rate in 2008 would have been 28.3% compared to 22.7% in 2009. The reduction in the underlying effective tax rate is due to the reduction in the Corporation Tax rate for the year from 28.5% to 28% and the reduction in the level of permanently disallowable expenditure.

### Profit for the Period

As a result of the factors discussed above, profit for 2009 was US$171.6m, a decrease of US$184.8m, compared with 2008.

**Liquidity and Capital Resources**

Among satellite companies, the Group has historically maintained one of the lowest levels of debt leverage, as measured by the ratio of Net Borrowings to EBITDA. As a result of this prudent approach we have accessed and remain well-positioned to access the capital markets when needed to meet our financing needs. We have no debt maturities in the next 12 months. The Group has significant headroom in all of the covenants in our Senior Credit Facility and expects to be able to operate within these covenants in the coming year. In addition, the Group's business remains highly cash-generative, meaning the Group can reduce debt and continue to fund dividends to our shareholders.

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.

In July 2009 we signed a new US$500.0m Senior Credit Facility and subsequently drew this down on 6 November 2009. The new facility consists of a US$200.0m term loan and a US$300.0m revolving credit facility. Under the terms of the new Senior Credit Facility we used the initial drawings of US$290.0m, together with an amount from cash on hand, to pre-pay and cancel our Previous Senior Credit Facility. On the pre-payment date, the amount outstanding under the Previous Senior Credit Facility was US$315.0m. The new Senior Credit Facility will mature in May 2012 and has substantially similar terms and conditions as the previous credit facility which was due to expire in May 2010. Advances under the new Senior Credit Facility bear interest equal to LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the prevailing ratio of total net debt to EBITDA.

On 12 November 2009, our subsidiary company Inmarsat Finance plc completed an offering of the Senior Notes due 2017, which subsequently settled on 27 November 2009. The aggregate gross proceeds of the new notes issued of US$645.2m (aggregate principal amount of US$650.0m less US$4.8m issuance discount), through a series of steps, were used to redeem the entire principal amount of US$160.4m outstanding under the Senior Notes due 2012, to pay the associated note redemption premium of US$4.1m, to repay US$465.6m of the subordinated parent company loan (which was used by Inmarsat Holdings Limited, the Company's parent, to redeem the entire principal amount of US$450.0m outstanding under the Senior Discount Notes plus the associated note redemption premium of US$15.6m),and to pay the fees and expenses of the new notes offering. Surplus cash proceeds are available for general corporate purposes. As a result of this refinancing we extended our debt maturities and reduced our cost of debt.

The Group had Net Borrowings at 31 December 2009 of US$1,170.8m primarily comprising Senior Credit Facility drawings of US$290.0m, Senior Notes due 2017 of US$650.0m, subordinated parent company loan of US$301.3m and deferred satellite payments of US$47.4m, net of cash and cash equivalents of US$116.8m.

The total borrowings figures disclosed in note 7 of the Consolidated Financial Statements of Inmarsat Group Limited can be reconciled to the Net Borrowings figure above as follows:

| (US$ in millions) | **As at 31 December 2009** | **As at 31 December 2008** |
|---|---|---|
| Total borrowings | 1,287.6 | 1,374.1 |
| Cash and cash equivalents | (116.8) | (51.2) |
| **Net Borrowings (excluding deferred finance costs)** | **1,170.8** | **1,322.9** |

### *Historical Cash Flows*

The table below shows the condensed consolidated cash flow for the Group for the year ended 31 December 2009:

| (US$ in millions) | 2009 | 2008 |
|---|---|---|
| Net cash from operating activities | 555.0 | 425.0 |
| Net cash used in investing activities excluding capital expenditure | (19.8) | (25.9) |
| Capital expenditure | (121.7) | (187.7) |
| Dividends paid | (144.9) | (159.6) |
| Net cash used in financing activities excluding dividends paid | (198.3) | (37.9) |
| Foreign exchange adjustment | 0.1 | 0.4 |
| **Net increase in cash and cash equivalents** | **70.4** | **14.3** |

Net cash generated from operating activities increased due to higher EBITDA in 2009 and improvements in working capital.

Net cash used in investing activities, excluding capital expenditure, was lower in 2009 due to the reduction in own work capitalised to US$17.3m in 2009 from US$23.4m in 2008, due to the shift in work from our BGAN and Inmarsat-4 programmes to the development of the GSPS network and terminals and the Alphasat satellite project.

The reduction in capital expenditure is due primarily to the inclusion in the year ended 31 December 2008 of launch costs for the third Inmarsat-4 satellite. There has been a shift in capital expenditure from milestone payments in respect of the Inmarsat-4 satellite and the third SAS in Hawaii, to expenditure on the GSPS network and terminals and the Alphasat satellite project. Cash used in investing activities may fluctuate with the timing of specific milestone payments.

Net cash used in financing activities, excluding the payment of dividends, increased from 2008 to 2009. During November 2009, the Group drew down US$290.0m on our new Senior Credit Facility. The proceeds, together with cash on hand, were used to pre-pay and cancel our Previous Senior Credit Facility. During 2009 the Group repaid a total US$390.0m principal of our Previous Senior Credit Facility, compared to a draw down of US$70.0m in the previous year. During 2009, the Group received US$645.2m aggregate gross proceeds from the offering of its Senior Notes due 2017, paid US$465.6m to redeem a portion of the subordinated parent company loan and paid US$164.5m (US$160.4m principal amount together with US$4.1m redemption premium) to redeem 100% of the principal amount of its Senior Notes due 2012. During 2009, the Group purchased US$3.3m principal amount of its Senior Notes due 2012 compared to the purchase of US$55.1m principal amount of its Senior Notes due 2012 in 2008. During 2009, the Group paid cash interest of US$85.1m compared to US$33.2m in 2008. The increase in cash interest paid is due to the payment of US$50.1m interest to Inmarsat Holdings Limited, our parent company, in respect of the Subordinated Parent Company Loan. As discussed previously, the subordinated parent company loan was partially repaid in December 2009. In addition, in 2009, the Group paid US$23.8m in respect of arrangement fees for the Senior Credit Facility and the issue of the Senior Notes due 2017.

### *Free Cash Flow*

| (US$ in millions) | 2009 | 2008 |
|---|---|---|
| Cash generated from operations | 565.3 | 425.2 |
| Capital expenditure | (121.7) | (187.7) |
| Capitalised operating costs | (17.3) | (23.4) |
| Net cash interest paid | (84.7) | (32.1) |
| Cash tax paid | (10.7) | (1.3) |
| **Free cash flow** | **330.9** | **180.7** |

The increase in free cash flow of US$150.2m is attributable to increased EBITDA, movements in working capital and lower capital expenditure, partially offset by increased tax and interest payments during 2009. The increase in cash interest paid is predominantly due to the payment of US$50.1m to our parent company, Inmarsat Holdings Limited, in 2009 in respect of the Senior Discount Notes. This payment was the first payment in cash that we have made to holders of these notes.

### Balance Sheet

The table below shows the consolidated Group balance sheet at 31 December 2009:

| (US$ in millions) | As at 31 December 2009 | As at 31 December 2008 |
|---|---|---|
| Non-current assets | 1,823.6 | 1,858.7 |
| Current assets | 297.9 | 272.8 |
| **Total assets** | **2,121.5** | **2,131.5** |
| Current liabilities | (305.2) | (369.8) |
| Non-current liabilities | (1,243.4) | (1,241.4) |
| **Total liabilities** | **(1,548.6)** | **(1,611.2)** |
| **Net assets** | **572.9** | **520.3** |

The decrease in the Group's non-current assets of US$35.1m was due primarily to depreciation and amortisation of capital assets. In addition, we recorded a deferred tax asset in 2008 of US$28.1m compared to US$nil in 2009. Partially offsetting the decrease was an increase in capital assets additions during 2009, other receivables of US$27.4m and derivative financial instruments relating to our foreign exchange rate hedging increased from US$8.6m at 31 December 2008 to US$12.0m at 31 December 2009.

The increase in current assets of US$25.1m is due predominantly to the increase in cash and cash equivalents from US$51.2m at 31 December 2008 to US$116.8m at 31 December 2009. In addition, derivative financial instruments relating to foreign exchange rate hedging increased from US$1.1m at 31 December 2008 to US$13.0m at 31 December 2009. Partially offsetting these increases is the decrease in trade and other receivables from US$215.5m at 31 December 2008 to US$167.1m at 31 December 2009, principally due to a decrease in the trade receivables following changes to our payment terms with distribution partners. In addition, inventory decreased from US$5.0m at 31 December 2008 to US$1.0m at 31 December 2009, principally due to an adjustment to the carrying value of our SPS fleet phone inventory.

The decrease in current liabilities of US$64.6m relates primarily to the reduction in short-term borrowings following the cancellation of the Previous Senior Credit Facility and draw down of the new Senior Credit Facility. The Group repaid US$190.0m on cancellation of the Previous Senior Credit Facility and drew down US$90.0m under the revolving element of the new Senior Credit Facility. In addition, derivative financial instruments relating to the Group's foreign exchange and interest rate hedging have decreased from US$31.7m at 31 December 2008 to US$14.1m at 31 December 2009. Partially offsetting these decreases was the increase in payables from US$116.5m at 31 December 2008 to US$160.4m at 31 December 2009, due largely to US$31.3m of deferred income relating to a payment received from SkyTerra in connection with an agreement for L-band operations in North

America, and an increase in current tax payable from US$15.7m at 31 December 2008 to US$30.0m at 31 December 2009.

The increase in non-current liabilities of US$2.0m was due primarily to an increase in provisions from US$27.5m at 31 December 2008 to US$48.5m at 31 December 2009, predominantly due to the increase in the Group's pension and post-retirement scheme liabilities following the review of actuarial assumptions at 31 December 2009. In addition, deferred income tax liabilities increased from US$nil at 31 December 2008 to US$2.9m at 31 December 2009 and net total non-current borrowings increased from US$1,162.1m at 31 December 2008 to US$1,164.3m at 31 December 2009. Partially offsetting the increases was a decrease in derivative financial instruments relating to our interest rate hedging from US$37.5m at 31 December 2008 to US$12.9m at 31 December 2009.

**Capital Expenditures**

We have incurred significant capital expenditures to fund the construction and launch of our Inmarsat-4 satellites, and the development, marketing and distribution of our broadband services. We anticipate incurring further capital expenditures for the manufacture and launch of Alphasat, to maintain our existing network assets and premises in the normal course of business.

The following table summarises our capital expenditure (on an accruals basis) for the periods set out below:

| | Year ended 31 December | |
|---|---|---|
| (US$ in millions) | **2009** | **2008** |
| Total capital expenditure | 142.2 | 203.1 |

Capital expenditures associated with our three Inmarsat-4 satellites have been completed, with two successfully launched in March and November 2005 and the third successfully launched in August 2008. Our 2009 capital expenditure primarily reflects work related to the Alphasat project and GSPS. Allowing for approximately US$10.0m of planned capital expenditure that has been deferred from 2009 to 2010, we expect our 2010 cash capital expenditure to be in the region of US$135m to US$145m, including capital expenditure for deferred satellite payments.

The planned launch of our IsatPhone Pro, the first one of the handsets forming part of our soon-to-be launched GSPS, is currently on track for June 2010.

## Contractual Obligations and Contingencies

The following table summarises contractual obligations, commercial commitments and principal payments under our debt instruments as of 31 December 2009.

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| (US$ in millions) | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-term debt obligations [1] | 1,149.3 | — | 198.8 | (1.2) | 951.7 |
| Short-term debt obligations [2] | 90.9 | 90.9 | — | — | — |
| Capital commitments [3] | 394.5 | 96.5 | 228.9 | 24.2 | 44.9 |
| Operating leases | | | | | |
| Land and buildings [4] | 147.6 | 8.7 | 18.5 | 18.2 | 102.2 |
| Other [5] | 19.9 | 10.4 | 6.5 | 2.7 | 0.3 |
| Other non-cancellable agreements[6] | 0.5 | 0.5 | — | — | — |
| **Total contractual obligations** | **1,802.7** | **207.0** | **452.7** | **43.9** | **1,099.1** |

(1) Includes US$301.3 million of the subordinated intercompany shareholder funding loan, US$200.0 million under the term loan portion of the Senior Credit Facility, US$650.0 million in aggregate principal amount of the Notes, US$4.8 million discount on the Senior Notes and US$2.8 million intercompany loan. In addition the values exclude interest obligations on the Senior Credit Facility and the Notes offered hereby.
(2) Includes US$90.0 million drawn down under the revolving portion of the Senior Credit Facility and a US$0.9 million overdraft. Our interest obligation on the Senior Credit Facility has not been included.
(3) Includes our obligations in respect of the deferred satellite payments.
(4) Relates to the 25-year lease of our head office building at 99 City Road, London, United Kingdom.
(5) Relates primarily to network and satellite services contracts.
(6) Relates to warranty costs.

## Critical Accounting Policies

Our accounting policies are more fully described in notes 2 and 4 to the audited consolidated financial statements of Inmarsat Group Limited. However, certain of our accounting policies are particularly important to the presentation of our results of operations and require the application of significant judgment by our management.

The preparation of the 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 date and the reported amounts of revenue and expenses during the reported period.

Our management believes that the most critical accounting policies that involve management judgments and estimates are those related to revenue recognition, tangible and intangible assets, defined benefit pension plans and post-retirement healthcare benefits, deferred taxation and financial instruments and hedging activities.

### *Revenue Recognition*

Our revenues from MSS result from utilisation charges that are recognised as revenues over the period in which the services are provided. Deferred income attributable to MSS or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. MSS lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and twelve-months, unless another systematic basis is deemed more appropriate.

Our revenues are stated net of volume discounts. The seasonality of volume discounts has been removed following the implementation the new distribution agreements on 15 April 2009. Historically, volume discounts increased over the course of the financial year as specific revenue thresholds were achieved by distribution partners resulting in lower prices.

Revenue also includes income from services contracts, rental income, conference facilities and income from the sale of terminals and other communications equipment. Revenues from service

contracts, rental income and conference facilities are recognised as the service is provided. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the purchaser.

### *Property, Plant and Equipment*

Property, plant and equipment assets make up a significant portion of our total assets. We periodically review the carrying value of our property, plant and equipment and recognise an impairment if the recoverable amount (the higher of net realisable value and value in use) falls below its carrying value. Value in use is based upon our estimates of anticipated discounted future cash flows. While we believe that these estimates are reasonable, different assumptions regarding such cash flows could materially affect the carrying values.

Space segment assets comprise satellite construction, launch and other associated costs. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestone payments, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset. Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. The associated liability is stated at its net present value and included within liabilities. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service.

As at 31 December 2009, assets in course of construction related to the Alphasat satellite, the S-Band project, GSPS services and BGAN services. These assets will be transferred to space segment assets and depreciated over the life of the satellites or service once they become operational and placed into service. Effective 1 January 2009, our third Inmarsat-4 satellite was transferred to space segment assets and is being depreciated over the life of the satellite. Depreciation has been charged on these assets from 1 January 2009.

Other fixed assets are stated at historical cost less accumulated depreciation.

Changes in asset lives can have a significant impact on our depreciation charge for a financial period. We regularly review the depreciable lives and change them as necessary to reflect our current view of their remaining lives in light of numerous assumptions and estimates, including with respect to technological change, prospective economic utilisation and physical condition of the assets concerned.

On 1 January 2008, we adopted IAS 23 (as revised), 'Borrowing Costs', in advance of its effective date, which is for annual reporting periods beginning on or after 1 January 2009. The impact of the adoption of IAS 23 (as revised) is the compulsory capitalisation of interest and finance costs associated with assets that take a substantial period of time to get ready for intended use.

### *Intangible Assets*

Intangible assets comprise goodwill, patents, trademarks, software terminal development costs, spectrum rights and intellectual property. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year. On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired. Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets and liabilities acquired, the difference is treated as purchased goodwill.

Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value

less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period will not be reversed.

For the purpose of conducting impairment reviews, cash generating units ("CGUs") are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one cash generating unit. Goodwill is specifically allocated to CGUs and tested by comparing the carrying amount of the CGU with its value in use. The value in use calculation utilises an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

Two CGUs have been identified, 'Mobile Satellite Services' and 'Other'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Mobile Satellite Services CGU only. Therefore, goodwill has been tested for impairment on the Mobile Satellite Services CGU only.

Goodwill was tested for impairment at 31 December 2009. No evidence of impairment was found.

Significant management judgement is required to assess the carrying value of the intangible assets. An annual review for impairment based on discounted cash flows using reasonable and appropriate assumptions, consistent with internal forecasts and based on management's best estimates and judgement is performed. If the carrying value of intangible assets exceeds that of the impairment review above we will record a charge for the impairment in the then current period. We will not record any increases in the intangible assets as a result of this review. Management has determined that no impairments were required in 2009.

Fees and similar incremental costs incurred directly in making an acquisition, but excluding finance costs, are included in the cost of the relevant acquisition and are capitalised. Internal costs, and other expenses that we cannot attribute directly to an acquisition, are charged to the profit and loss account.

We capitalise development costs associated with the development of user terminals. Costs are capitalised once a business case has been demonstrated as to technical feasibility and commercial viability. For broadband services, terminal development costs are amortised using straight-line method over their estimated useful lives of between five and ten years.

***Defined Benefit Plans and Post-Retirement Healthcare Benefits***

We recognise liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees in the UK and outside the UK. Our net obligations in respect of these commitments are calculated separately for each plan. The cost of these benefits and the present value of our pension liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments and the discount rate at which the future pension payments are discounted. We use estimates for all these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and our judgement regarding future expectations. The calculation is performed by a qualified actuary using the projected unit credit method.

***Income Taxes***

Our income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of our 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. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from our 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 our results and cash flows.

***Deferred Taxes***

Significant judgement is required in determining the provision for income taxes. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Assumptions made are regularly reviewed to ensure that they accurately and appropriately reflect current tax positions and are in line with latest UK tax authority interpretations. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

***Financial Instruments and Hedging Activities***

Financial assets and financial liabilities are recognised when we become a party to the contractual provisions of the relevant instrument and derecognised when we cease to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as either short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective-interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. Cash and cash equivalents include cash in hand and bank time deposits, together with other short-term highly liquid investments. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

We use derivative financial instruments to hedge our exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with our treasury policy, we do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, we are required to document in advance the relationship between the item being hedged and the hedging instrument. We are also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the income statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the income statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where we have applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

**Risk Factors**

*The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations may be materially and adversely affected. If that happens, we and the Issuer may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.*

*This disclosure document contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this disclosure document.*

**Risks Relating to Our Business**

***Sales to our key distribution partners represent a significant portion of our revenues.***

For 2009, two of our distribution partners, Stratos and Vizada, accounted for 40% and 36%, respectively, of our MSS revenues (as compared with 42% and 36%, respectively, for 2008). Mergers among distribution partners could also increase our reliance on a few key distributors of our services. If our distribution partners were to fail to market or distribute our services effectively, or if they offered our services at prices which were not competitive, our revenues, profitability, liquidity and brand image could be adversely affected. The loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk.

***The global communications industry is highly competitive. It is likely that we will face significant competition in the future from other network operators.***

The global communications industry is highly competitive. We face competition today from a number of communications technologies in the various target sectors for our services. It is likely that we will continue to face increasing competition from other network operators in some or all of our target sectors in the future, particularly from satellite network operators. Competition from Iridium Communications Inc. ("Iridium") a global MSS operator, has been increasing. Iridium recently launched a maritime service, Open Port, which offers a 128 kbps capability and competes with the low end of our FleetBroadband capability. In addition, we also face regional competition for data and voice services from regional MSS operators such as Thuraya and SkyTerra, and to a lesser extent other regional MSS operators, which has influenced the price at which our distribution partners and service providers offer our services. Thuraya, a leader in the provision of handheld SPS, offers a 444 kbps mobile data communications service on a regional basis and recently launched a regional maritime 60 kbps data service. Two other companies, DBSD North America Inc. ("ICO") in the United States and TerreStar, in the United States and Canada, plan to deploy MSS in North America in the near future. Both companies have launched satellites, but, as yet, do not have services available commercially. Both companies also use the S-band, which has more contiguous bandwidth than the L-band in which we operate and may accommodate higher-speed multimedia services.

Communications providers who operate private networks using very small aperture terminals ("VSAT") or hybrid systems also continue to target users of mobile satellite services. Technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of

VSAT and hybrid systems in some traditional MSS sectors, including the maritime and aeronautical sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our services in those areas.

***The development of combined satellite and terrestrial networks could interfere with our services.***

On 29 January 2003, the FCC promulgated a general ruling (the "ATC Ruling") that MSS spectrum, including the L-band spectrum we use to operate our services, could be used by MSS operators to integrate ATC services into their satellite networks in order to provide combined terrestrial and satellite communications services to mobile terminals in the United States.

The implementation of ATC services by MSS operators in the United States or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. In addition, the FCC's decision to permit integrated MSS/ATC services was based on certain assumptions, particularly relating to the level of interference that the provision of integrated MSS/ATC services would likely cause to other MSS operators, such as us, who use the L-band spectrum. If the FCC's assumptions with respect to the use of L-band spectrum for integrated MSS/ATC services prove inaccurate, or a significant level of integrated MSS/ATC services is provided in the United States, the provision of integrated MSS/ATC services could interfere with our satellites and user terminals, which may adversely impact our services. For example, the use of certain L-band spectrum to provide integrated MSS/ATC services in the United States could interfere with our satellites providing communications services outside the United States where the satellites' 'footprint' overlaps the United States. Such interference could limit our ability to provide services that are transmitted through any satellite visible to the United States. Two of our three Inmarsat-4 satellites, three of our Inmarsat-3 satellites and two of our Inmarsat-2 satellites are currently visible to the United States. In addition, users of our terminals in the United States could suffer interruptions to our services if they tried to use their terminals near ATC terrestrial base stations used to provide integrated MSS/ATC services. In the event that we anticipate significant usage of mobile user terminals near ATC terrestrial base stations, it may be necessary for the manufacturers of the mobile terminals to modify their products to make them less susceptible to interference and for us to replace or upgrade existing user terminals to avoid harmful interference.

Jurisdictions other than the United States are considering, and could implement, similar regulatory regimes in the future. In May 2004, Industry Canada, the Canadian regulator, decided in principle to allow ATC services in Canada.

We cannot assure you that the development of hybrid networks in the United States, Canada, Europe or in other countries will not result in harmful interference to our operations. If we are unable to prevent such interference it could have an effect on our revenues, profitability and liquidity.

***We may not retain sufficient rights to the spectrum required to operate our satellite system to its expected capacity or to take full advantage of future business opportunities.***

We must retain rights to use sufficient L-band and C-band spectrum necessary for the transmission of signals between our satellites and end-user terminals and between our satellites and our control stations. Our access to L-band spectrum and C-band spectrum is obtained through frequency coordination under ITU procedures. The L-band coordination is governed, in part, by sharing arrangements with other satellite operators that are re-evaluated and re-established through two annual, regional multilateral meetings of those satellite operators - one for operators whose satellites cover the Americas, and a second for those whose satellites cover Europe, Africa, Asia and the Pacific.

We agreed spectrum allocations for 2009 in the Europe, Africa, Asia and Pacific operators' review meeting. We, together with SkyTerra, also collectively have the rights to the majority of the L-band spectrum allocation in the Americas. As a result of the Cooperation Agreement we signed with SkyTerra in December 2007 for spectrum re-use and reorganisation of our respective L-band spectrum across the Americas, we have effectively agreed allocations for the Americas with SkyTerra

until at least 2013. We believe those agreements provide sufficient spectrum to support our existing services for the duration of the agreements. As part of our business planning we may need to apply for additional spectrum to support our future services and existing services growth.

Competition for L-band and C-band spectrum from new operators or for new services or business opportunities could make it more difficult for us to retain rights to L-band and C-band spectrum or to take full advantage of future business opportunities by acquiring further L-band and C-band spectrum. If we were unable to retain sufficient rights to L-band and C-band spectrum, our ability to provide our services in the future could be prejudiced, which could have an adverse effect on our revenue, profitability and liquidity.

***We rely on third-party distribution partners to provide ground infrastructure for our Existing and Evolved Services.***

We sell our Existing and Evolved Services, which currently constitute the majority of our revenues, to third-party distribution partners, many of whom operate the LESs that transmit and receive those services to and from our satellites. If any of these distribution partners fail to provide or maintain these facilities, our Existing and Evolved Services may be interrupted. Such service interruption may be beyond our control and could adversely affect our revenue, as well as our reputation and our brand image.

***We rely on third parties to manufacture and supply terminals for end-users to access our services and, as a result, we cannot control the availability of such terminals.***

Terminals used to access our services are built by a limited number of independent manufacturers. Although we provide manufacturers with key performance specifications for the terminals, these manufacturers could:

- reduce production of, or cease to manufacture, some of the terminals that access our services;
- manufacture defective terminals that fail to perform to our specifications;
- fail to build or upgrade terminals that meet end-users' requirements within our target sectors;
- fail to meet delivery schedules or to market or distribute terminals effectively; or
- sell some of our terminals at prices that end-users or potential end-users do not consider attractive.

If any of these third parties decides to cease manufacturing terminals to access our services, we may not be able to immediately find a replacement supplier on favourable terms, if at all. Also, if any of our suppliers have difficulty manufacturing or obtaining the necessary parts or material to manufacture our products, our business may be adversely affected.

Any of the foregoing could adversely affect the ability of our distribution partners to sell our services, which, in turn, could adversely affect our revenues, profitability and liquidity, as well as our brand image.

***We are subject to foreign exchange risk.***

We use the US dollar as our functional and reporting currency. While almost all of our revenues are denominated in US dollars, the majority of our operating expenses and, from time to time, a proportion of our capital expenditures, are denominated in currencies other than the US dollar. Our primary exchange rate risk is against pounds sterling. Although we generally hedge our foreign currency exposure in the short-term, there is no assurance that we will be able to adequately manage our foreign currency exposure in the longer-term or that our results of operations would not be affected by fluctuations of the US dollar against the pound sterling.

***We may not be able to recruit and retain the number and calibre of management or employees necessary for our business.***

Technological competence and innovation are critical to our business and depend, to a significant degree, on the work of technically skilled employees. The market for the services of these types of employees is competitive. We may not be able to attract and retain these employees. If we are unable

to attract and retain adequate technically skilled employees our competitive position could be materially adversely affected.

**Risks Relating to Our Technology and the Operation and Development of Our Network**

***Our satellites are subject to significant operational risks while in orbit***

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as "anomalies", that have occurred in our satellites and the satellites of other operators as a result of various factors, such as satellite manufacturers' errors, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space.

Although we work closely with satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide redundancy for many critical components in our satellites, we may experience anomalies in the future, either of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially adversely affect our operations, as well as our ability to attract new customers for our services. Anomalies could also reduce the expected useful life of a satellite, thereby reducing the revenue that we could generate with that satellite, or create additional expenses due to the need to provide replacement or back-up satellites. The occurrence of future anomalies could materially adversely affect our ability to insure our satellites at commercially reasonable premiums, if at all.

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that a meteoroid will damage a satellite increases significantly when the earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity poses a potential threat to all in-orbit satellites.

Some decommissioned spacecraft are in uncontrolled orbits that pass through the geostationary belt at various points, and present hazards to operational spacecraft, including our satellites. The loss, damage or destruction of any of our satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business.

***Our ground network is essential to our operations..***

Our satellite system includes seven tracking, telemetry and control ground stations and four network co-ordination stations located around the world. If two or more of these stations were to fail at the same time, our ability to operate our satellites effectively may be limited, which could adversely affect our revenues, profitability or liquidity. Inmarsat also operates three SASs for our broadband services via our three Inmarsat-4 satellites. Two of these SASs provide service redundancy for the EMEA region, our busiest traffic area. However, the third SAS, located in Hawaii, is currently providing services to two Inmarsat-4 satellites over the Americas and Asia-Pacific regions. While significant on-site redundancy has been incorporated into the Hawaii SAS, no redundant site is currently available in case of a failure of the Hawaii SAS. As a result, a failure of our Hawaii SAS could result in a material adverse effect on our revenues, profitability and liquidity.

***Our networks and those of our distribution partners may be vulnerable to security risks.***

We expect the secure transmission of confidential information over our networks to continue to be a critical element of our operations. Our network and those of our distribution partners have in the past been, and may in the future be, vulnerable to unauthorised access, computer viruses and other security problems. Persons who circumvent our security measures could wrongfully obtain or use information on our network or cause interruptions, delays or malfunctions in our operations, any of which could have a material adverse effect on our revenues, profitability and liquidity. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any such breaches. Although we have implemented and intend to continue to implement industry-standard security measures,

these measures may prove to be inadequate and may result in system failures and delays that could have a material adverse effect on our revenues, profitability and liquidity.

***The proposed use of frequency bands for terrestrial International Mobile Telecommunications ("IMT") that are not compatible with the LESs and SASs in the same band and in the same geographical area may cause interference with our services.***

The 2007 World Radio Conference considered the identification of frequency bands for terrestrial IMT (3rd and 4th generation mobile) systems. C-band (3400—4200 MHz), which is used for our satellite feeder and telemetry links, was one of the candidate bands. The ubiquitous use of these systems is not compatible with the operation of satellite earth stations, such as the LESs/SASs, in the same band and in the same geographical area. As a result, in countries where IMT systems are deployed in the C-band, the existing LESs/SASs could suffer interference and accordingly, we may be unable to deploy new earth stations. If our ability to operate the LESs/SASs is limited by such interference, our revenues, profitability and liquidity could be adversely affected. Many countries have already licensed broadband wireless access systems, which are similar to IMT systems, in the C-band and others are expected to follow suit.

At the 2007 World Radio Conference, the "no change" campaign, led by Inmarsat and other major satellite players, successfully prevented a global C-band identification for IMT services. The lack of harmonised identification for IMT may slow down the momentum for IMT deployment in C-band. There were, however, several countries which identified the C-band portion of 3400-3600 MHz for IMT through country footnotes to the ITU's radio regulations (the "Radio Regulations"). These footnotes included technical constraints which will help to ensure protection of earth stations from IMT operations in neighbouring countries. However, protection within national boundaries of countries intending to deploy IMT in the C-band still needs to be discussed with the individual administrations. As a result, we are continuing to pursue protection of each LES and SAS through registration of stations with the ITU and discussion with LES operators and national administrations.

***New or proposed satellites, such as Alphasat, are subject to construction and launch delay and launch failures, including a launch that fails to deliver a satellite to its designated orbital location after launch, or other satellite damage or destruction during launch, which could result in a total or partial satellite loss.***

The construction and launch of satellites are subject to certain delays and risks. Delays can result from the delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 60 months or longer, and to obtain other launch opportunities. Such significant delays could adversely affect our operations and our revenues. Delays caused by launch failures may also preclude us from pursuing new business opportunities and undermine our ability to implement our business strategy. Any significant delay in the commencement of service of any satellite could affect our plans to replace an in-orbit satellite prior to the end of its service life. Launch vehicles may also under-perform, in which case the satellite may still be placed into service by using its on board propulsion systems to reach the desired orbital location, which would result in a reduction in its service life. The failure to implement our satellite deployment plan on schedule could have an adverse effect on our revenue, profitability and liquidity.

***If we are required to shorten the expected useful lives of our satellites, our profitability could be adversely affected.***

A number of factors affect the useful lives of the satellites, including, among other things, the quality of their construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite's functions, the efficiency of the launch vehicle used and the remaining on board fuel following orbit insertion. The minimum design life of our Inmarsat-2 satellites is ten years, while our Inmarsat-3 and Inmarsat-4 satellites each have a minimum design life of 13 years. However, while our Inmarsat-2 satellites have so far exceeded their original design lives, the actual useful lives of our other satellites could be shorter than their design lives. Changes in useful lives can have a significant effect on our depreciation charge and affect profitability. We regularly reassess the useful economic lives of our satellites for financial reporting purposes. In October 2004,

the Inmarsat-3 satellites' useful lives were changed to better reflect their economic lives resulting from improvements in satellite technology as supported by engineering analysis. As a result, depreciation periods were extended for the Inmarsat-3 satellites from 10 years to 13 years. In October 2005, we prospectively changed the useful lives of the Inmarsat-4 satellites from 13 years to 15 years to reflect the better than expected performance of the launch vehicles and the adoption of an optimised mission strategy which are expected to extend the orbital lives of these satellites beyond their initial design life.

***We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience.***

We maintain in-orbit insurance cover for our fleet of three Inmarsat-4 satellites and expect to maintain commercially prudent levels of insurance in the future.

The price, terms and availability of insurance have fluctuated significantly since we began offering commercial satellite services. The cost of obtaining insurance can vary as a result of either satellite failures or general conditions in the insurance industry. Insurance policies on satellites may not continue to be available on commercially reasonable terms, or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and additional satellite health-related policy exclusions. An uninsured failure of one or more of our Inmarsat-4 satellites could have a material adverse effect on our financial condition, revenue, profitability and liquidity. In addition, higher premiums on insurance policies would increase our costs, thereby reducing our operating income by the amount of such increased premiums.

Even where we have obtained in-orbit insurance for a satellite, this insurance coverage will not protect us against all losses that might arise as a result of a satellite failure. Our current in-orbit insurance policies contain, and any future policies can be expected to contain, specified exclusions and material change limitations customary in the industry at the time the policy is written. These exclusions typically relate to losses resulting from acts of war, insurrection or military action, government confiscation, as well as lasers, directed energy beams, or nuclear or anti-satellite devices or radioactive contamination.

In addition, should we wish to launch another satellite to replace a failed operational satellite, the timing of such launch would be dependent on the completion of manufacture of such a replacement satellite and prior commitments made by potential suppliers of launch services to other satellite operators. Our insurance does not protect us against lost or delayed revenue, business interruption or lost business opportunities.

We also maintain third-party liability insurance. This insurance may not be adequate or available to cover all third-party damages that may be caused by any of our satellites, and we may not in the future be able to renew our third-party liability cover on reasonable terms and conditions, if at all.

***New technologies introduced by our competitors may reduce demand for our services or render our technologies obsolete.***

The space and communications industries are subject to rapid advances and innovations in technology. We expect to face competition in the future from companies using new technologies and new satellite and terrestrial systems. Advances or innovations in technology could render our technologies obsolete or less competitive by satisfying consumer demand in more attractive or cost-effective ways, or by introducing standards that are incompatible with ours. Obsolescence of the technologies that we use could have a material adverse effect on our revenues, profitability and liquidity.

***Our business relies on intellectual property, some of which third parties own, and we may inadvertently infringe upon their patents and proprietary rights.***

Many entities, including some of our competitors, currently (or may in the future) hold patents and other intellectual property rights that cover or affect products or services related to those that we offer. We cannot assure you that we are aware of all intellectual property rights that our products may infringe upon. In general, if a court were to determine that one or more of our products infringe upon

intellectual property held by others, we may be required to cease developing or marketing those products, to obtain licences from the holders of the intellectual property or to redesign those products in such a way as to avoid infringing upon others' patents. We cannot estimate the extent to which we may be required in the future to obtain intellectual property licences or the availability and cost of any such licences. To the extent that we are required to pay royalties to third parties to whom we are not currently making payments, these increased costs of doing business could negatively affect our profitability or liquidity.

In addition, if a competitor holds intellectual property rights, it may not allow us to use its intellectual property at any price, which could adversely affect our competitive position.

***Our next generation handheld service, GSPS, has not been completed and is subject to implementation risk.***

Our next generation handheld service, GSPS, which includes ground network and user terminals, is currently under development and we may be subject to delays with its delivery. In particular, we will need to integrate all components of the infrastructure, including the handheld terminal and core module to be delivered by Sasken, the delivery and installation of the ground station equipment by Lockheed Martin Integrated Solutions and Systems ("Lockheed Martin") and the commercial manufacture and production of the GSPS handheld terminal by Elcoteq SE ("Elcoteq"). If any of these components were delivered late, the roll-out of GSPS, scheduled for the second quarter of 2010, might be delayed and could result in an adverse effect on our business and reputation.

In addition, for a new service such as GSPS, we cannot be certain that the product would be fully functional or be accepted by customers. In addition, there has been adverse publicity concerning alleged health risks associated with radio frequency transmission from mobile handheld telephones that have transmitting antennae. We are aware of other companies selling mobile handheld telephones that have been subject to lawsuits alleging various adverse health consequences, including cancer, as a result of mobile handheld telephone usage. Although we have not been party to any such lawsuits, we cannot be certain that we will not be subject to similar lawsuits in the future.

**Regulatory Risks**

***Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals and the provision of our MSS in some countries, which could require us to incur additional costs, could expose us to fines and could limit our ability to provide existing and new services in some countries.***

The maintenance and expansion of our business is dependent upon, among other things, our ability (and/or the ability of our distribution partners and/or their service providers) to obtain required government licences and authorisations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Our business is subject to the regulatory authority of the government of the United Kingdom and the national authorities of the countries in which we operate, as well as to the regulations of various international organisations. Government authorities generally regulate, among other things, the construction, launch and operation of satellites, the use of satellite spectrum at specific orbital locations, the licencing of earth stations and mobile terminals, and the provision of satellite services. For more information on the regulatory environment in which we operate.

In particular, under the UK Outer Space Act 1986, we must obtain licences to conduct our business, including for the launch of our satellites. The terms of these licences provide that we indemnify the UK government without limit for any claim brought against it as a result of our licenced activities or in respect of any loss suffered by the UK government as a result of any breach of the terms of the licence. We also must maintain insurance of up to £100.0 million per satellite to be used to pay any sums to the UK government in respect of this indemnity.

Increasingly, regulatory authorities are imposing fees and introducing new regulatory requirements on businesses that use spectrum or offer communications services. This could significantly adversely affect our business. In addition to the licences issued to us by the UK government for the launch and

operation of our satellites, to date, we have obtained specific telecommunications or frequency licences with respect to our existing services in approximately 14 countries, and are currently discussing terms and conditions with a number of other countries. Additional countries are considering whether to implement such licence requirements. These licence requirements could require us to incur new and unforeseen additional costs, could expose us to fines if we were unable to obtain or retain any licences or meet all regulatory requirements, and could limit our ability to provide existing or new services in some countries, which could adversely affect our revenues, profitability or liquidity.

It is also possible that regulatory authorities in some countries may require us to establish an earth station or a point of presence in their countries as a condition to distribute our services in those countries. This has, in particular, been a barrier to entry in India. Some countries may also require us to provide traffic reports on a regular basis or maintain a domestic billing database for their country. To the extent we own and/or operate the earth stations for our broadband and GSPS, we are required to obtain licences for the operation of those stations as network facilities, and also will need to obtain rights to C-band spectrum for communications between the stations and our satellites. Approval of the offering of our services or operation of earth stations will be contingent upon us or our distribution partners providing any countries as they may so require, with the ability to monitor calls made to or from such countries and/or to intercept traffic. Although we believe that we will be able to address the concerns of many of these countries as they arise, there is no assurance that we (and/or our distribution partners and/or their service providers) will be able to do so. In addition, some countries in which we or our distribution partners, or their service providers, operate have laws and regulations relating to privacy and the protection of data which may impair our ability to obtain licences or offer our services on a timely basis.

Laws, policies and regulations affecting the satellite industry are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, or increase the cost of providing services over our system. Changes to current laws, policies or regulations or the adoption of new regulations could affect our ability to obtain or retain required government licences and authorisations or could otherwise have a material adverse effect on our business.

***Our contractual relationships with our distribution partners may be subject to regulatory challenge, which could require us to renegotiate the contractual relationships and could result in the imposition of fines.***

Our overall relationship with our distribution partners is governed by our Distribution Agreements. There is a risk that regulatory authorities or other third parties could challenge the Distribution Agreements, for example under European Union competition laws. As of 1 May 2004, it is no longer possible to obtain an exemption from European Union competition rules by notifying an agreement to the European Commission, and parties must make their own assessment as to whether their agreements fulfil European Union competition requirements. We have previously conducted a regulatory review of the terms of our Distribution Agreements, and of our competitive position in the sectors in which we operate. We do not believe that we are party to any agreement that is, in the current competitive environment, anti-competitive, or otherwise faces a significant risk of regulatory challenge. However, the competitive environment may change, and regulatory risk analysis is by its nature subjective. Therefore, we cannot assure you that either we, or the Distribution Agreements, or our distribution partners face no risk of challenge. For example, competition authorities could determine that we have market power in one or more business sectors, and could challenge us, or the Distribution Agreements or our distribution partners as anti-competitive. A successful regulatory challenge could result in portions, or all, of the Distribution Agreements being declared unenforceable, could require us to modify or replace certain provisions of the Distribution Agreements in order to achieve compliance and, in certain circumstances, could result in the imposition of fines. Competition authorities generally have powers to impose fines, including for breaches of competition laws, which in the case of the European Commission, is up to a maximum of 10% of a company's worldwide annual group revenues. In addition, third parties could initiate civil litigation claiming damages caused by alleged anticompetitive practices and agreements.

***We may not be aware of certain foreign government regulations.***

We, our customers and the companies with which we or our customers do business may be required to have authority from each country in which we or such companies provide services or provide our or their customers use of our satellites. We may not be aware of whether some of our customers and/or companies with which we or our customers do business, do not hold the requisite licences and approvals as required in such countries.

Because regulatory schemes vary by country and evolve over time, we may be subject to regulations in foreign countries of which we are not presently aware. If that were to be the case, we could be subject to sanctions by a foreign government that could materially adversely affect our ability to operate in that country. Our current regulatory approvals could now be (or could become) insufficient in the view of foreign regulatory authorities, any additional necessary approvals may not be granted on a timely basis (or at all), in all jurisdictions in which we wish to offer services, and applicable restrictions in those jurisdictions could become unduly burdensome. The failure to obtain the authorisations necessary to operate satellites internationally could have a material adverse effect on our ability to generate revenue, our profitability and on our overall competitive position.

***Our distribution partners and service providers face increasing regulation in many countries, and end-users often require licences to operate end-user terminals.***

Our distribution partners and service providers require licences and regulatory consents to offer our services in many countries where they operate. In addition, end-users often require licences to use our terminals. Furthermore, we expect that our distribution partners, their service providers and end-users will require licences for our handheld services in many jurisdictions in which they distribute our services or use our terminals, and they may fail to obtain those licenses. Any delay or failure by our distribution partners, their service providers or end-users to obtain required licences in connection with the distribution of our services or use of terminals could prevent our services from being distributed, sold or used in some countries or lead to unauthorised use that could adversely affect the reputation of our brand, which could have a material adverse effect on our revenues, profitability and liquidity.

***We may not be successful in co-ordinating our satellite operations under applicable international regulations and procedures or in obtaining spectrum and orbital resources we require for our operations.***

The ITU regulates the use of radio frequency bands and orbital locations used by satellite networks to provide communications services. The use of spectrum and orbital resources by us and other satellite networks must be coordinated pursuant to the Radio Regulations in order to avoid causing harmful interference between or among the respective satellite networks. In the case of the L-band, the ITU process has been effected on the basis of agreements between the relevant national administrations whereby the use of frequencies by our satellite network and other satellite networks is coordinated in regional operator review meetings and negotiations. As evidenced by recent review meetings in Europe and Africa, Asia and the Pacific, it is not always possible to achieve unanimous agreement amongst operators. In North America, Inmarsat has recently achieved coordination of its satellites covering that region with SkyTerra. The increased competition for spectrum and orbital locations may make it difficult for us to obtain additional L-band spectrum allocations we require for our forecasted requirements. In the future, we may not be able to coordinate our satellite operations successfully under international telecommunications regulations and we may not be able to obtain or retain the spectrum and orbital resources we require to provide our existing or future services.

## Directors and Senior Management

### Management of the Parent Company

#### *Board of Directors*

Inmarsat plc is the ultimate parent company of Inmarsat Finance plc and Inmarsat Group Limited.

The table below sets out the names of the directors of Inmarsat plc and their current positions.

| Name | Position |
|---|---|
| Andrew Sukawaty | Chairman and Chief Executive Officer |
| Rick Medlock | Executive Director and Chief Financial Officer |
| Sir Bryan Carsberg | Non-executive Director—Independent Director |
| Stephen Davidson | Non-executive Director—Independent Director |
| Admiral James Ellis Jr (ret) | Non-executive Director—Independent Director |
| Kathleen Flaherty | Non-executive Director—Independent Director |
| Janice Obuchowski | Non-executive Director—Independent Director |
| John Rennocks | Non-executive Director—Independent Director and Deputy Chairman |

The address for each director is c/o Inmarsat plc, 99 City Road, London EC1Y 1AX, United Kingdom.

**Andrew Sukawaty** joined the Board as Chairman in December 2003 and was appointed Chief Executive Officer in March 2004. He is non-executive chairman of Xyratex Ltd (Nasdaq) and non-executive chairman of Ziggo BV. Between 1996 and 2000, he served as chief executive officer and president of Sprint PCS. He was chief executive officer of NTL Limited from 1993 to 1996. Previously, he held various management positions with U.S. West and AT&T. He has served on various listed company boards as a non-executive director. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

**Rick Medlock** joined the Board in September 2004 and is Chief Financial Officer. Between 1996 and 2004, he had served as chief financial officer and company secretary of NDS Group plc (Nasdaq and Euronext). Mr Medlock previously served as chief financial officer of several private equity backed technology companies in the United Kingdom and the United States. Mr Medlock is also a non-executive director of Cheapflights Limited and Lovefilm International Limited and is chairman of their Audit Committees. He is also a non-executive director and senior independent director of Orbis Holdings Limited. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Mr Medlock holds an MA in Economics from Cambridge University.

**Sir Bryan Carsberg** joined the Board in June 2005 as a non-executive director. He is currently Chairman of the Council of Loughborough University. He is an independent, non-executive director of RM plc and Novae Group plc. He was the first Director General of Telecommunications (Head of Oftel, the telecommunications regulator that preceded Ofcom) from 1984 to 1992, Director General of Fair Trading from 1992 to 1995 and Secretary General of the International Accounting Standards Committee (predecessor of the International Accounting Standards Board) from 1995 to 2001. He was an independent, non-executive director of Cable and Wireless Communications plc from 1997 to 2000 and non-executive Chairman of MLL Telecom Ltd from 1999 to 2002. Sir Bryan is a Fellow of the Institute of Chartered Accountants of England and Wales and an Honorary Fellow of the Institute of Actuaries; he was knighted in January 1989. He holds an M.Sc. (Econ) from the University of London (London School of Economics).

**Stephen Davidson** joined the Board in June 2005 as a non-executive director. Mr Davidson is Chairman of Datatec Limited and Digital Marketing Group plc, the senior independent director of Mecom Group plc and is also a non-executive director of several other companies. He has held various positions in investment banking, most recently at West LB Panmure where he was Global Head of Media and Telecoms Investment Banking then Vice Chairman of Investment Banking. From 1992 to 1998 he was Finance Director then Chief Executive Officer of Telewest Communications plc.

He was Chairman of the Cable Communications Association from 1996 to 1998. He holds an MA (first class) in Mathematics and Statistics from the University of Aberdeen.

**Admiral James Ellis Jr (ret.)** joined the Board in June 2005, as a non-executive director. He is President and Chief Executive Officer of the Institute of Nuclear Power Operations, with headquarters in Atlanta, Georgia. Admiral Ellis also serves as a Director of Lockheed Martin Corporation and Level 3 Communications. Admiral Ellis retired from the U.S. Navy in 2004 as Commander, United States Strategic Command. He was responsible for the global command and control of U.S. strategic forces to meet decisive national security objectives. Admiral Ellis is a graduate of the U.S. Naval Academy and was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the United States and abroad. He holds Master of Science degrees in Aerospace Engineering and in Aeronautical Systems.

**Kathleen Flaherty** joined the Board in May 2006 as a non-executive director. She previously served as a non-executive director of GenTek, Inc. (Nasdaq) until its sale at the end of October 2009. Ms Flaherty also served on the board of Marconi Corporation plc until it was sold to L. M. Ericsson in 2005, and on the board of telent plc until October 2006. She also served on the boards of CMS Energy Corporation (NYSE) and Consumers Energy Company (NYSE) from 1995 to 2004. Previous positions include Chief Marketing Officer at AT&T; President and Chief Operating Officer of Winstar International; Senior Vice President, Global Product Architecture for MCI Communications, Inc and Marketing Director for National Business Communications at BT. Ms Flaherty graduated from Northwestern University with a Ph.D. in Industrial Engineering and Management Sciences. She is a member of the McCormick Advisory Board, Northwestern University, and sits on its executive committee.

**Ambassador Janice Obuchowski** joined the Board in May 2009 as a non-executive director. Mrs Obuchowski has held several senior positions, both in the U.S. Government and in the private sector. She served as Head of Delegation and as the U.S. Ambassador to the World Radiocommunications Conference 2003 and was Assistant Secretary for Communications and Information at the Department of Commerce leading the National Telecommunications and Information Administration under President George H.W. Bush. Earlier in her career she held several positions at the FCC, including Senior Advisor to the Chairman. Mrs Obuchowski is President and founder of Freedom Technologies, Inc. She is currently a non-executive director on the public company boards of Orbital Sciences Corporation and CSG Systems, Inc where she has responsibility for chairing committees for both those companies. Mrs Obuchowski has previously held non-executive director positions with Qualcomm and Stratos. Mrs Obuchowski graduated from Wellesley College and received her law degree from Georgetown Law, where she was Editor of the Georgetown Law Journal.

**John Rennocks** joined the Board in January 2005 as a non-executive director. He is our Deputy Chairman and Senior Independent Director. He is an independent, non-executive chairman of Diploma plc, Nestor plc, and Intelligent Energy plc, and a non-executive director of several other companies. He has broad experience in emerging energy sources, support services and manufacturing. Mr Rennocks previously served as a director of Inmarsat Ventures plc, and as Executive Director-Finance for British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc. Mr Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

***Senior Management***

In addition to the executive directors on the Board, our day-to-day management is conducted by the following senior managers:

| Name | Position |
|---|---|
| Alison Horrocks | Senior Vice President—Corporate Governance and Company Secretary |
| Eugene Jilg | Chief Technology Officer |
| Debbie Jones | Senior Vice President—Corporate Development |
| Perry Melton | Chief Operating Officer |
| Rupert Pearce | General Counsel and Senior Vice President—Inmarsat Enterprises |

The following is a brief biography of the above senior managers:

**Alison Horrocks** joined us in 1999 and is our Senior Vice President, Corporate Governance and Company Secretary. She has acted as Secretary to the Board since its inception and also serves the boards of Inmarsat plc's other main operating companies. Between 1988 and 1999, she was group company secretary of International Public Relations plc, a worldwide public relations company. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

**Eugene Jilg** returned to work for us in January 1999 and is our Chief Technology Officer. He has held previous positions as Vice President, Product Evolution and Vice President, Corporate Affairs and Strategy. Between November 1989 and April 1998, he held various positions principally managing satellite programmes and operations. Prior to joining us, between August 1984 and September 1989, Mr Jilg co-owned and co-managed Celsius Joint Venture, doing business as Case Parts Company. Between 1979 and 1984, Mr Jilg was Deputy Director of the Space Systems Division of Ford Aerospace and Communications Corporation. Prior to this, from 1964, he held various positions at Communications Satellite Corporation. Prior to 1964, Mr Jilg was, *inter alia*, employed by the U.S. Government and was an officer in the U.S. Navy. He holds a BS degree and an MS degree in Mechanical Engineering from Stanford University.

**Debbie Jones** joined us in 2000. She is currently our Senior Vice President, Corporate Development and was Vice President of Business and Customer Operations until January 2009. Ms Jones is a non-executive director of Capital Law LLP. Between 1995 and 2000, she was the senior human resources adviser for Eversheds Solicitors. Between 1988 and 1995, she was the head of personnel at Companies House in Cardiff. Between 1983 and 1988, Ms Jones held various operational, information technology supervisory and management positions at the Department of Trade and Industry and the Office for National Statistics. She is a member of the Chartered Institute of Personnel and Development.

**Perry Melton** has been with us since 1992 and was appointed as our Chief Operating Officer with effect from 1 January 2009. Prior to his current position, he was Vice President of Sales and Marketing and, between 1992 and April 2002, he held various management positions, including Vice President of Strategic Development, manager of the Inmarsat-4 satellite investment planning team and head of procurement and contracts. Between 1982 and 1992, Mr Melton gained considerable experience in the space and information systems industries through his employment in various finance and contracts positions with Lockheed Martin. Mr Melton was educated at University of Notre Dame, U.S. where he received a BA degree in English Literature.

**Rupert Pearce** joined us in January 2005 as General Counsel and, since 1 January 2009, also holds the position of Senior Vice President, Inmarsat Enterprises. Previously he worked for Atlas Venture, a venture capital company, where he was a partner working with the firm's European and U.S. investment teams on investment, divestment, M&A and corporate finance transactions and was a member of the firm's investment and exit committees. He was previously a partner at the international law firm Linklaters, where he spent 13 years specialising in corporate finance, M&A and private equity transactions. He received an MA in Modern History from Oxford University and won the 1995 Fulbright Fellowship in U.S. securities law, studying at the Georgetown Law Centre.

There are no family relationships between any director and senior management.

**Board Practices**

***Corporate Governance***

Inmarsat plc has established audit, remuneration and nominations committees.

*Audit Committee*

The audit committee of the Board comprises John Rennocks (Chairman), Sir Bryan Carsberg, Stephen Davidson and Janice Obuchowski. All members of the audit committee are independent, non-executive directors and three of the members have significant, recent and relevant financial experience. By invitation, the meetings of the audit committee may be attended by the Chairman and Chief Executive Officer, Chief Financial Officer and the internal and external auditors.

The audit committee has particular responsibility for monitoring the adequacy and effectiveness of the operation of internal controls and risk management and ensuring that our financial statements present a true and fair view of our financial position. Its duties include keeping under review the scope and results of the audit and its cost effectiveness, consideration of management's response to any major external or internal audit recommendation and the independence and objectivity of the internal and external auditors.

During 2009, the audit committee reviewed and endorsed, prior to submission to the Board, full-year financial statements, and results announcements for Inmarsat plc and Inmarsat Group Limited. It considered internal audit reports and risk management updates, agreed external and internal audit plans and received updates on management responses to audit recommendations and approved the review of accounting policies.

Our Secretary, as Chairman of the Disclosure Committee, reported on matters that affected the quality and timely disclosure of financial and other material information to the Board, to the public markets and to shareholders. This enabled the audit committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

*Remuneration Committee*

The remuneration committee of the Board comprises Stephen Davidson (Chairman), Sir Bryan Carsberg, Admiral James Ellis Jr (ret.) and Kathleen Flaherty. All committee members are independent, non-executive directors.

The remuneration committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the remuneration of the executive directors and senior management and major remuneration plans for Inmarsat Group Limited and its subsidiaries as a whole. The remuneration committee appraises the Chairman and Chief Executive Officer against his written objectives. Similarly, the Chairman and Chief Executive Officer appraises the other executive director and makes a recommendation to the remuneration committee relating to his bonus achievements. The remuneration committee approves the setting of objectives for all of the executive directors and authorises their annual bonus payments for achievement of objectives. The remuneration committee provides remuneration packages necessary and sufficient to attract, retain and motivate executive directors. The remuneration committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the short and long-term incentive plans. The remuneration committee considers there to be an appropriate balance between fixed and variable remuneration and between short and long-term variable components of remuneration. All of the decisions of the remuneration committee on remuneration matters in 2009 were reported to and endorsed by the Board.

*Nominations Committee*

The nominations committee of the Board comprises Andrew Sukawaty (Chairman), John Rennocks, Admiral James Ellis Jr (ret.) and Stephen Davidson.

The nominations committee meets as and when necessary. The nominations committee has responsibility for nominating to the Board, candidates for appointment as directors, bearing in mind the need for a broad representation of skills across the Board. The nominations committee will also make recommendations to the Board concerning the re-appointment of any independent, non-executive director by the Board at the conclusion of his or her specified term; the election and re-election of any director by shareholders under the retirement provisions of the articles of association of Inmarsat plc; and changes to senior management, including executive directors.

**Aggregate remuneration paid to Senior Management**

The aggregate remuneration (excluding income resulting from the vesting of share awards) of the Senior management (including Executive Directors and comprising seven individuals) for services in all capacities during 2009 financial year was US$7.4m.

**Principal Shareholders**

Inmarsat Group Limited is an indirect wholly-owned subsidiary of Inmarsat plc. Other than the potential acquisition of Inmarsat plc by Harbinger and SkyTerra, we do not know of any arrangements that may, at a subsequent date, result in a change in control. As of 9 March 2010, there were the following direct and indirect interests in more than 3% of the voting rights of Inmarsat plc:

| | 9 March 2010 | | |
|---|---|---|---|
| **Substantial shareholdings** | **Number of voting rights** | **Holding** | **Percentage of issued Share Capital** |
| Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P | 129,277,349 | Indirect | 28.13% |
| Lansdowne Partners Limited Partnership | 59,942,059 | Indirect | 13.04% |
| Blackrock, Inc | 42,576,471 | Indirect | 9.31% |
| Legal & General Plc | 27,531,525 | Direct | 5.99% |
| Legal & General Plc | * | Indirect | 0.67% |
| KDDI Corporation. | 21,739,149 | Direct | 4.76% |
| F & C Asset Management plc | 19,164,056 | Indirect | 4.19% |
| Allianz SE | 13,343,300 | Indirect | 2.91% |
| Allianz SE | * | Direct | 0.11% |

Note: Percentages are based on the issued ordinary share capital as at the date of the respective notifications.

* Represents beneficial ownership of less than 1% of ordinary shares outstanding.

As at 9 March 2010, the directors and management of Inmarsat plc beneficially owned individually and in aggregate (including shares which may be allocated from within the Inmarsat Employees' Share Ownership Plan Trust) 1.10% of the issued ordinary share capital of Inmarsat plc.

The shareholders who hold 3% or more of the issued share capital of Inmarsat plc do not have different voting rights to other shareholders.

***Harbinger Capital Partners***

On 25 July 2008, Harbinger Capital Partners ("Harbinger") and SkyTerra announced their intention for SkyTerra to make an offer to acquire Inmarsat plc and its subsidiaries on terms to be announced

following a satisfactory outcome of a regulatory approvals process. At the time of the announcement Harbinger held approximately 28.1% of the ordinary shares of Inmarsat plc. As of the date of this document, we have not received an offer from Harbinger or SkyTerra. On 22 August 2008 and 26 March 2009, Harbinger submitted applications to the U.S. Federal Communications Commission (the "**FCC**") seeking review and pre-clearance of the transfer of control of the Inmarsat group to SkyTerra. As at the date of this document, we are not aware of any final decision by the FCC regarding these Harbinger applications. Harbinger owns 100% of SkyTerra and a substantial shareholding in TerreStar Networks Inc. ("TerreStar"), both of which are our competitors in regional MSS in North America.

**Certain Relationships and Related Party Transactions**

Our parent company, Inmarsat plc, indirectly owns our largest distributor, Stratos Global Corporation ("Stratos"), which for 2009, accounted for 40% of our MSS revenues. In addition, Stratos provides network services to other Inmarsat distribution partners for which we charge Stratos directly under the terms or our Distribution Agreements. When the charges for services provided by Stratos to other distribution partners are aggregated with Stratos' own charges, Stratos accounted for 43% of our MSS revenue in 2009.

Stratos' operations are not managed by us but the Stratos management team does report directly to Inmarsat plc at a corporate level. We have implemented a channel management policy with the intent of promoting fair competition between our direct and indirect distribution channels. We may agree in the future to an internal reorganisation of our parent company subsidiaries, such that Stratos would become a wholly-owned subsidiary of the Group.

Under the terms of our Distribution Agreement with Stratos, Stratos will continue to purchase satellite capacity from us and provide certain related services. The payment and credit terms of the Distribution Agreement with Stratos are consistent with those of the other distributors.

**Material Contractual Arrangements**

There have been no new material contractual arrangements entered into by the Group since the Offering Circular, dated 12 November 2009.

**Recent Events**

On 12 January 2010, we completed the acquisition of the business and assets of Segovia, Inc. ("Segovia") for an initial consideration of US$110.0m, and may pay additional amounts depending on the performance of the acquired business over the next three years. The initial consideration was financed from available liquidity and it is expected that any contingent consideration will be financed using available liquidity at that time. For the year ended 31 December 2008, Segovia reported total revenues of US$66.6m and had gross assets of US$28.8m.

Segovia is a leading provider of secure Internet Protocol managed solutions and services to United States government agencies. The existing Segovia executive management team will continue to operate Segovia as a separate business within the Stratos group.

On 19 April 2010, we announced that we had completed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement Inmarsat may borrow up to €225m and we expect to make an initial draw down under the facility during the second quarter. The EIB financing will rank as senior secured creditor of Inmarsat Investments Limited, a direct subsidiary of Inmarsat Group Limited. The EIB financing will rank pari passu with Inmarsat's Senior Credit Facility and ahead of Inmarsat's 9.375% Senior Notes due 2017.

Subsequent to 31 December 2009, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial results of the Group.

**Glossary of Terms**

| | |
|---|---|
| active terminals ................................................ | active terminals are the number of subscribers or terminals that have been used to access our commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain SPS terminals (previously referred to as ACeS handheld terminals) active on a daily basis during the period. |
| Americas ........................................................... | consisting of the continents of North America and South America with their associated islands and regions. |
| analogue ........................................................... | a method of storing, processing or transmitting information through a continuous varied (rather than pulsed) signal. |
| Asia-Pacific ..................................................... ..................................................................... | the area encompassing littoral East Asia, South Asia, Southeast Asia and Australasia near the Pacific Ocean, plus the states in the ocean itself (Oceania). |
| atmospheric interference ................................. | the attenuation of radio frequency signals due to the presence of moisture in the atmosphere. |
| avionics ........................................................... | electronics designed for use in aerospace vehicles. |
| bandwidth ......................................................... | a range of frequencies, expressed in hertz ("Hz") occupied by a modulated carrier or the range of frequencies which can be transmitted through a communications system. Bandwidth is one measure of the information carrying capacity of a transponder. The wider the bandwidth, the more information that can be transmitted. |
| beam ............................................................... | the directed electromagnetic rays emanating from a satellite or ground station. On satellites, typically refers to aggregates of these rays such as a China (coverage) beam or global (coverage) beam. |
| BGAN ............................................................. | our broadband global area network service used by land end-users. |
| broadband ....................................................... | high capacity bandwidth. |
| Broadband family/broadband services | collectively refers to our broadband services comprising our land BGAN, aeronautical SwiftBroadband and maritime FleetBroadband services. |
| C-band ........................................................... | in satellite communications used to refer to downlink frequencies between 3.4 GHz and 4.2 GHz and uplink frequencies between 5.85 GHz and 7.075 GHz. Often referred to as 4/6 GHz. |
| cellular ............................................................. | public mobile radio telecommunications service. Cellular |

systems are based on multiple base stations, or "cells", that permit efficient frequency reuse and on software that permits the system to band mobile cells from cell to cell as subscribers move through the cellular service area.

design life .......................................................... the minimum years of operation for a satellite as specified in the satellite manufacturing contract.

digital ................................................................ referring to a method of storing, processing, or transmitting information through a pulsed (rather than continuously varied) signal.

downlink .......................................................... the receiving portion of a satellite circuit extending from the satellite to the earth.

earth station ..................................................... the dishes, receivers, transmitters and other equipment needed on the ground to transmit and receive satellite communications signals.

EIRP ................................................................. equivalent isotopic radiated power, a standard of comparison of performance of radio transmitters.

Existing and Evolved Services ......................... services that include all our services other than our broadband services, SPS and our planned GSPS.

Fixed satellite service or FSS ........................... a radio communication service between earth stations at specified fixed points when one or more satellites are used; in some cases this service includes satellite-to-satellite links or feeder links for other space radio communications services.

FleetBroadband ............................................. our maritime broadband service.

GAN .............................................................. our global area network service which is an Existing and Evolved Service.

GEO .............................................................. geostationary orbit, located approximately 22,300 miles above the earth, where satellites turn at the same angular speed as the earth and thus appear to be on a fixed spot.

GHz ................................................................ gigahertz, a measure of frequency. One billion cycles per second.

GMDSS .......................................................... global maritime distress and safety service which is a system designed to automate a vessel's radio distress alert, eliminating the need for manual watchkeeping of distress channels.

GSM ................................................................ Global System for Mobile communications.

GSPS .............................................................. our planned global satellite phone service expected to be launched in the second quarter of 2010.

hertz ................................................................ unit of frequency equal to number of cycles per second.

IP .................................................................. Internet Protocol, the method or protocol by which data is sent from one computer to another on the Internet.

ISDN .............................................................. Integrated Services Digital Network. Digital telephone line typically offering data rates of 64 kbps or multiples thereof.

ITU ................................................................. International Telecommunication Union is the United Nations treaty organisation responsible for worldwide cooperation and standardisation in the telecommunication sector. The ITU holds periodic conferences at which telecommunications issues of global importance are discussed; the main conferences are the World Radio Conference and the World Telephone and Telegraph Conference.

Ka-band ......................................................... in satellite communications, used to refer to downlink frequencies between 18 GHz and 22 GHz and uplink frequencies between 27 GHz and 31 GHz. Often referred to as 20/30 GHz.

kbps ............................................................... kilobits per second, a unit of data transmission speed.

Ku-band ......................................................... in satellite communications, used to refer to downlink frequencies between 10.7 GHz and 12.74 GHz and uplink frequencies between 13.75 GHz and 14.8 GHz. Often referred to as 11/14 or 12/14 GHz.

LAN ............................................................... local area network, which is a group of computers and associated devices that share a common communications line or wireless link and typically share the resources of a single processor or server within a small geographic area.

LES ................................................................ land earth station, which is a facility that routes Existing and Evolved service calls to and from mobile stations via satellite to and from terrestrial telephone networks.

L-band ........................................................... in satellite communications, used to refer to uplink and downlink frequencies between satellites and mobile users between 1.5 GHz and 1.6 GHz.

LEO ............................................................... low-earth orbit, located approximately 300 to 1,000 miles above the earth.

MEO .............................................................. medium-earth orbit, located approximately 5,000 to 10,000 miles above the earth.

MHz ............................................................... megahertz, a measure of frequency. One million cycles per second.

microwave ..................................................... radio frequency carrier waves with wavelengths of less than one metre-frequencies above 300 MHz. Typically used to refer to frequencies above 1 GHz, but nominally includes all ultra high frequency.

orbital slots ................................................... for GEO satellites these are points on the GEO arc where

satellites are permitted to operate. Orbital slots are designated by both location and frequency band.

PDA .................................................................. personal digital assistant, which is typically a handheld device that combines computing, telephone/fax, internet and networking functionality.

radio frequency ................................................ a frequency that is higher than the audio frequencies but below the infrared frequencies, usually above 20 KHz.

R-BGAN ........................................................... our regional broadband global area network service that was discontinued in 2008.

S-band .............................................................. mobile satellite band between 1.98 and 2.20 GHz.

signal ................................................................ a physical, time-dependent energy value used for the purpose of conveying information through a transmission line.

spectrum ........................................................... the range of electromagnetic radio frequencies used in transmission of voice, data and television.

SPS .................................................................. our first generation satellite phone service offered on a regional basis.

SwiftBroadband ................................................ our broadband aeronautical service.

telemetry .......................................................... radio transmission of coded or analogue data from a satellite to a ground station.

transponder ...................................................... a microwave repeater on a satellite which provides a discrete path to receive communications signals, translate and amplify such signals and retransmit them to earth or another satellite.

uplink ................................................................ in satellite communications, the signal from the earth station to the space station (satellite).

useful life .......................................................... the period over which a satellite will be depreciated in our financial statements based on estimates of the time for which a satellite is capable of operating in its allotted position. The expected end of a satellite's in-orbit operational life is mainly based on the period during which the satellite's on board fuel permits proper station-keeping manoeuvres.

VPN .................................................................. virtual private network, a network that is constructed using public wires to connect nodes.

VSAT ............................................................. very small aperture terminal. A system for the reception and transmission of satellite signals using a small dish diameter, typically fixed and requiring a licence to use.

## APPENDIX A – CONSOLIDATED FINANCIAL STATEMENTS OF INMARSAT GROUP LIMITED

## INDEX TO FINANCIAL STATEMENTS


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# Inmarsat Group Limited

**(Registered Number: 4886115)**

**Directors' Report and Financial Statements**
**For the year ended 31 December 2009**

## Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for Inmarsat Group Limited ("the Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2009.

### Principal activities and business review

The principal activity of the Company is a holding company. The principal activity of the Group is the supply of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide.

The results for the period are disclosed in the financial statements for the Company on pages 50 to 54 and for the Group on pages 7 to 48.

Both the level of business and financial position are satisfactory to the Directors. The Company Balance Sheet on page 50 and the Group's Balance Sheet on page 8, show that the Company's and the Groups financial position at the year end, in terms of net assets, is consistent with the prior year. Details of amounts owed by and to fellow group companies are shown in the footnotes to the Company Balance Sheet on page 50.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis by using further key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Inmarsat group, which includes the Company, is discussed in the Inmarsat plc annual report, which does not form part of this report.

### Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the consolidated financial statements.

### Results and dividends

The results for the year are disclosed in the Company financial statements on page 52 and of the Group in the Consolidated Income Statement on page 7. The Company profit for the year amounted to US$nil (2008: US$nil) and the Group's profit for the year amounted to US$171.6m (2008: US$356.4m).

The Company paid dividends during the year ended 31 December 2009 of US$58.4m and US$86.5m representing the interim dividend for the 2009 year and final dividend for the year ended 31 December 2008 respectively, (year ended 31 December 2008: US$55.5m and US$104.1m for the 2008 interim dividend and 2007 final dividend respectively). On 22 March 2010, the Company declared a second interim dividend in respect of the year ended 31 December 2009 of US$100.7m.

### Research and development

The Group continues to invest in new services and technology through its research and development programmes. These include pure research into new products as well as developing those services which have been demonstrated to have a profitable business case.

### Charitable and political donations

During the year, the Group paid in aggregate US$356,000 to charities worldwide.

One of the Group's significant donations was the payment of US$150,000 (plus US$50,000 of airtime) (2008: US$150,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières ("TSF"). The Company has pledged to pay TSF US$150,000 (plus US$50,000 of airtime) in 2010.

The Group also made a payment of US$103,500 (2008: US$100,000) to the World Maritime University during 2009 and has pledged to make a further payment of US$105,600 in 2010 as part of its support for the education of maritime specialists.

The Group also provides satellite telecommunication services and equipment in conjunction with support offered by its distribution partners and manufacturers to service providers in support of disaster relief management in affected areas of the world.

In addition, certain of the Group's worldwide subsidiary companies made small contributions to local charitable causes.

No political donations were made during the year. It remains the policy of the Group not to make political donations or incur political expenditure. However, the Directors recognise that occasions arise where it may be in the best interests of shareholders for the Group to be able, if appropriate, to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the Companies Act 2006, shareholders will be requested annually to give authority at the Company's AGM to be permitted to make political donations and to incur political expenditure.

**Financial instruments**

Details of the financial risk management objectives and policies of the Company are the same as the Group. These details explained in notes 3 and 27 to the consolidated financial statements.

**Post balance sheet events**

Details of material post balance sheet events are included in note 31 to the consolidated financial statements.

**Directors and their interests**

The Directors who were in office on 1 January 2009 and served during the year were as follows:
- Michael Butler, President (resigned 30 April 2009)
- Alison Horrocks (appointed 30 April 2009)
- Rick Medlock
- Andrew Sukawaty

None of the Directors at any time during the year ended 31 December 2009 or subsequently have had any interests in any shares of the Company or its subsidiaries.

**Employees**

The Company has no directly employed staff.

Employee involvement in the Inmarsat plc group's share and share option schemes is encouraged. Details of employee share awards and option schemes are shown in note 24 to the financial statements.

**Health and safety**

The Company is committed to maintaining high standards of health and safety for all its stakeholders and anyone affected by its business activities.

**Policy and practice on payment of creditors**

The Group's policy and practice on payment of creditors is:
- to pay all suppliers within the time limit agreed with each at the start of business with that supplier;
- to ensure that suppliers are aware of the terms of payment; and
- to pay in accordance with the contractual and other legal obligations whenever it is satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions.

At 31 December 2009, the Company had no trade creditors (2008: nil).

**Share capital and control**

The following information is given pursuant to the new requirements of the Companies Act 2006, specifically s992.

Details of the authorised and issued share capital of the Company are given in note 23 to the financial statements.

There are no restrictions on transfer or limitations on the holding of any shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Details of employee share schemes are set out in note 24. Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

The powers of the Directors are determined by UK legislation and the Articles of Association in force from time to time. The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time.

**Significant contracts**

The Company has in place several significant agreements, which include, inter alia, its banking and debt arrangements. Subject to the identity of a third party bidder, in the event of a change of control following a takeover bid, the Company does not believe that these agreements would suffer a material adverse effect or be subject to termination upon a change of control. However, there are customary clauses in the long-term debt funding agreements specifying that in the event of a change of control following a takeover bid, the lenders have the option to have the debt repaid under the specific terms of each type of debt.

None of the current Directors had a material interest in any contract to which the Company or any of its subsidiary undertakings was a party during the financial year.

**Principal risks and uncertainties**

Risks for the Inmarsat plc group are disclosed in the Inmarsat plc annual report, pages 24, 25, 67 and 68, which does not form part of this report. A copy of the Inmarsat plc annual report can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX or obtained from the website (www.inmarsat.com). Management believe that these principal risks and uncertainties remain unchanged from the date of issuance of the annual report, which was 9 March 2010.

**Directors' and Officers' liability insurance**

The Inmarsat plc group maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. The insurance does not provide cover where the Director is proved to have acted fraudulently or dishonestly.

**Auditors**

Each of the Directors has confirmed that:
i) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
ii) the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. An elective resolution was passed on 12 July 2004 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte LLP are deemed to continue as auditors.

**Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

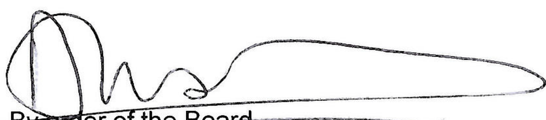
The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' responsibility statement**

Each of the Directors has confirmed that to the best of his/her knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Directors' Report, includes a fair review of the performance of the business and the position of the Company and the undertakings included in the financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.



By order of the Board
Alison Horrocks FCIS
Company Secretary
28 April 2010

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT GROUP LIMITED

We have audited the financial statements of Inmarsat Group Limited for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditors**

The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

P. Kakoullis

Panos Kakoullis (FCA)
**Senior Statutory Auditor**
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 April 2010

## INMARSAT GROUP LIMITED

## CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| | | (US$ in millions) | | |
| **Revenue** | | **694.8** | 634.7 | 557.2 |
| Employee benefit costs | 7 | **(110.4)** | (104.2) | (93.7) |
| Network and satellite operations costs | | **(43.3)** | (39.7) | (33.8) |
| Other operating costs | | **(64.9)** | (83.5) | (64.7) |
| Work performed by the Group and capitalised | | **19.2** | 24.0 | 18.5 |
| **EBITDA** | | **495.4** | 431.3 | 383.5 |
| Depreciation and amortisation | 6 | **(179.9)** | (167.0) | (174.2) |
| **Operating profit** | | **315.5** | 264.3 | 209.3 |
| Interest receivable and similar income | 9 | **2.9** | 11.2 | 5.2 |
| Interest payable and similar charges | 9 | **(96.4)** | (83.3) | (86.6) |
| Net interest payable | 9 | **(93.5)** | (72.1) | (81.4) |
| **Profit before income tax** | | **222.0** | 192.2 | 127.9 |
| Income tax (expense)/credit | 10 | **(50.4)** | 164.2 | (29.0) |
| **Profit for the year** | | **171.6** | 356.4 | 98.9 |

## INMARSAT GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

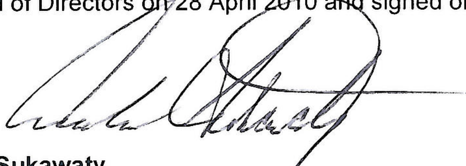
| | Note | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| | | (US$ in millions) | | |
| **Profit for the year** | | **171.6** | 356.4 | 98.9 |
| **Other comprehensive income** | | | | |
| Actuarial (losses)/gains from pension and post retirement healthcare benefits | | **(20.9)** | (11.0) | 7.3 |
| Net gains/(losses) on cash flow hedges | | **44.8** | (37.5) | (17.7) |
| Tax (charged)/credited directly to equity | 10 | **(6.1)** | 14.6 | 3.1 |
| **Other comprehensive income/(loss) for the year, net of tax** | | **17.8** | (33.9) | (7.3) |
| **Total comprehensive income for the year, net of tax** | | **189.4** | 322.5 | 91.6 |

## INMARSAT GROUP LIMITED

## CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2009 | 2008 |
|---|---|---|---|
| | | (US$ in millions) | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **1,258.8** | 1,308.3 |
| Intangible assets | 14 | **525.4** | 513.7 |
| Other receivables | 16 | **27.4** | — |
| Deferred income tax assets | 21 | **—** | 28.1 |
| Derivative financial instruments | 27 | **12.0** | 8.6 |
| | | **1,823.6** | 1,858.7 |
| **Current assets** | | | |
| Cash and cash equivalents | 15 | **116.8** | 51.2 |
| Trade and other receivables | 16 | **167.1** | 215.5 |
| Inventories | 17 | **1.0** | 5.0 |
| Derivative financial instruments | 27 | **13.0** | 1.1 |
| | | **297.9** | 272.8 |
| **Total assets** | | **2,121.5** | 2,131.5 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 19 | **100.2** | 205.9 |
| Trade and other payables | 18 | **160.4** | 116.5 |
| Provisions | 20 | **0.5** | — |
| Current income tax liabilities | 21 | **30.0** | 15.7 |
| Derivative financial instruments | 27 | **14.1** | 31.7 |
| | | **305.2** | 369.8 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **1,164.3** | 1,162.1 |
| Other payables | 18 | **14.8** | 14.3 |
| Provisions | 20 | **48.5** | 27.5 |
| Deferred income tax liabilities | 21 | **2.9** | — |
| Derivative financial instruments | 27 | **12.9** | 37.5 |
| | | **1,243.4** | 1,241.4 |
| **Total liabilities** | | **1,548.6** | 1,611.2 |
| **Net assets** | | **572.9** | 520.3 |
| **Shareholders' equity** | | | |
| Ordinary shares | 23 | **0.4** | 0.4 |
| Share premium | | **346.3** | 346.1 |
| Other reserves | | **25.9** | (14.2) |
| Retained earnings | | **200.3** | 188.0 |
| **Total equity** | | **572.9** | 520.3 |

The consolidated financial statements of Inmarsat Group Limited, registered number 4886115, on pages 7 to 48 were approved by the Board of Directors on 28 April 2010 and signed on its behalf by:



**Andrew Sukawaty**
Chairman and Chief Executive Officer

**Rick Medlock**
Chief Financial Officer

**INMARSAT GROUP LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

| | Note | Year ended 31 December 2009 | 2008 | 2007 |
|---|---|---|---|---|
| | | (US$ in millions) | | |
| **Cash flow from operating activities** | | | | |
| Cash generated from operations | 22 | **565.3** | 425.2 | 371.7 |
| Interest received | | **0.4** | 1.1 | 5.2 |
| Income taxes (paid)/credited | | **(10.7)** | (1.3) | 0.1 |
| **Net cash inflow from operating activities** | | **555.0** | 425.0 | 377.0 |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | | **(102.3)** | (171.0) | (192.3) |
| Additions to capitalised development costs, including software | | **(19.4)** | (16.7) | (17.6) |
| Work performed by the Group and capitalised | | **(17.3)** | (23.4) | (17.5) |
| Consideration under ACeS collaboration arrangement | | **(2.5)** | (2.5) | (3.0) |
| **Net cash used in investing activities** | | **(141.5)** | (213.6) | (230.4) |
| **Cash flow from financing activities** | | | | |
| Dividends paid to shareholders | 12 | **(144.9)** | (159.6) | (135.3) |
| (Repayment)/drawdown of Previous Senior Credit Facility | 19 | **(390.0)** | 70.0 | 70.0 |
| Drawdown of Senior Credit Facility | 19 | **290.0** | — | — |
| Repayment of subordinated intercompany loan | 19 | **(465.6)** | — | — |
| Redemption of Senior Notes due 2012 | 19 | **(164.5)** | — | — |
| Gross issuance proceeds of Senior Notes due 2017 | 19 | **645.2** | — | — |
| Arrangement costs of new borrowing facilities | 19 | **(23.8)** | — | — |
| Purchase of own securities, including discount | 19 | **(3.3)** | (55.1) | (38.0) |
| Interest paid on borrowings | | **(85.1)** | (33.2) | (39.6) |
| Intercompany funding | | **(1.2)** | (19.6) | (10.1) |
| Finance lease disposal fees | | **—** | — | (1.4) |
| **Net cash used in financing activities** | | **(343.2)** | (197.5) | (154.4) |
| Foreign exchange adjustment | | **0.1** | 0.4 | (0.3) |
| **Net increase/(decrease) in cash and cash equivalents** | | **70.4** | 14.3 | (8.1) |
| **Movement in cash and cash equivalents** | | | | |
| At beginning of year | | **45.5** | 31.2 | 39.3 |
| Net increase/(decrease) in cash and cash equivalents | | **70.4** | 14.3 | (8.1) |
| **As reported on balance sheet (net of bank overdrafts)** | 15 | **115.9** | 45.5 | 31.2 |
| **At end of year, comprising** | | | | |
| Cash at bank and in hand | 15 | **7.3** | 3.5 | 1.6 |
| Short-term deposits with original maturity of less than three months | 15 | **109.5** | 47.7 | 29.7 |
| Bank overdrafts | 15 | **(0.9)** | (5.7) | (0.1) |
| | | **115.9** | 45.5 | 31.2 |

## INMARSAT GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Ordinary share capital | Share premium account | Other reserves | (Accumulated losses)/retained earnings | Total |
|---|---|---|---|---|---|
| | | | (US$ in millions) | | |
| **Balance at 1 January 2008** | 0.4 | 346.1 | 5.5 | (1.9) | 350.1 |
| Net fair value losses - cash flow hedges | — | — | (37.5) | — | (37.5) |
| Share options charge | — | — | 7.3 | — | 7.3 |
| Profit for the period | — | — | — | 356.4 | 356.4 |
| Dividends payable | — | — | — | (159.6) | (159.6) |
| Actuarial losses from pension and post-retirement healthcare benefits | — | — | — | (11.0) | (11.0) |
| Tax credited directly to equity | — | — | 10.5 | 4.1 | 14.6 |
| **Balance at 31 December 2008** | 0.4 | 346.1 | (14.2) | 188.0 | 520.3 |
| Net fair value gains - cash flow hedges | **—** | **—** | **44.8** | **—** | **44.8** |
| Issue of share capital | **—** | **0.2** | **—** | **—** | **0.2** |
| Share options charge | **—** | **—** | **7.9** | **—** | **7.9** |
| Profit for the period | **—** | **—** | **—** | **171.6** | **171.6** |
| Dividends payable | **—** | **—** | **—** | **(144.9)** | **(144.9)** |
| Actuarial losses from pension and post-retirement healthcare benefits | **—** | **—** | **—** | **(20.9)** | **(20.9)** |
| Tax (charged)/credited directly to equity | **—** | **—** | **(12.6)** | **6.5** | **(6.1)** |
| **Balance at 31 December 2009** | **0.4** | **346.3** | **25.9** | **200.3** | **572.9** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The principal activity of Inmarsat Group Limited ("the Company" or together with its subsidiaries, "the Group") is the provision of mobile satellite communications services. The nature of the Group's operations and its principal activities are set out in note 5.

The Company's parent undertaking is Inmarsat Holdings Limited and ultimate controlling party is Inmarsat plc, both incorporated in Great Britain and registered in England and Wales. The largest and smallest groups into which the results of the Company are consolidated are headed by Inmarsat plc and the Company respectively.

### 2. Principal accounting policies

***Basis of preparation***

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 ("the consolidated financial statements") are set out below.

The text below describes how, in preparing the financial statements, the Directors have applied International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the assumptions and estimates they have made in applying the standards and interpretations and the policies adopted in the consolidated financial statements.

These financial statements have been prepared in accordance with IFRS and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities, as described later in these accounting policies.

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat Group Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

***Basis of accounting***

The preparation of the 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, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Accounting policies adopted in preparing these consolidated financial statements have been selected in accordance with IFRS.

In the current year the Group adopted amendments to IAS 1, 'Presentation of Financial Statements'. The amendments require the presentation of an entity's transactions with owners in a separate primary statement, the 'Statement of Changes in Equity. Previously the Group had the choice of whether to present transactions with owners in a primary statement or in the notes to the accounts. In addition, the amendments require the presentation of a Statement of Comprehensive Income. Previously the Group presented a Statement of Recognised Income and Expense, which is no longer required.

In the current year the Group adopted IFRS 8, 'Operating Segments'. IFRS 8 is a disclosure standard that has resulted in a re-designation of the Group's reportable segments (see note 5).

In the current year the Group applied the principals of IFRS 3 (as revised), 'Business Combinations', in respect of the expensing of acquisition costs in relation to the Segovia Inc. ("Segovia") transaction which completed on 12 January 2010 (see note 31). The Standard is effective for business combinations for which the acquisition date is on or after 1 July 2009 and is therefore applicable to the Segovia transaction. Whilst IFRS 3 (as revised) has not been adopted for transactions completing prior to 31 December 2009, management are of the opinion that the early adoption of

IFRS 3 (as revised) in the current year, in relation to the Segovia transaction, is appropriate. As a consequence, in the year ended 31 December 2009, we recognised US$3.9m of transaction costs associated with the acquisition of Segovia as an expense in the Income Statement.

In the prior year, the Group adopted IFRIC 14, 'IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC 14 provides guidance on the implications of pension scheme minimum funding requirements and the criteria under which reductions in future contributions should be regarded as available. Adoption of IFRIC 14 has no impact on these consolidated financial statements.

On 1 January 2008, the Group adopted IAS 23 (as revised), 'Borrowing Costs', in advance of its effective date, which is for annual reporting periods beginning on or after 1 January 2009. The impact of the adoption of IAS 23 (as revised) is the compulsory capitalisation of interest and finance costs associated with assets that take a substantial period of time to get ready for intended use. As a result, during 2009 US$4.4m of interest was capitalised (2008: US$0.9m) (see note 9).

In addition, the following standards and interpretations, as adopted by the EU, 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 1 (as amended)/IAS 27 (as amended) – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for financial years beginning on or after 1 January 2009).
- IFRS 2 (as amended) – Share-based Payment: Vesting Conditions and Cancellations (effective for financial years beginning on or after 1 January 2009).
- IFRS 7 (as amended) – Improving Disclosures about Financial Instruments (effective for financial years beginning on or after 1 January 2009).
- IAS 32 (as amended)/IAS 1 (as amended) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).
- IFRIC 13 – Customer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008).
- IFRIC 15 – Agreements for the Construction of Real Estate (effective for financial years beginning on or after 1 January 2009).
- IFRIC 16 – Hedges of Net Investments in a Foreign Operation (effective for financial years beginning on or after 1 October 2008).
- IFRIC 18 – Transfers of Assets from Customers (effective for transfers received on or after 1 July 2009).
- Amendments resulting from the May 2008 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2009).

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):
- 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).
- IFRS 9 – Financial Instruments – Classification and Measurement (effective for financial years beginning on or after 1 January 2013).
- IAS 24 (as revised) – Related Party Disclosures – Revised Definition of related parties (effective for financial years beginning on or after 1 January 2011).
- IAS 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).
- IAS 32 (as amended) – Amendments relating to classification of rights issues (effective for financial years beginning on or after 1 February 2010).
- IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009).
- IFRIC 14 (as amended) – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011).
- IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009).
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).
- Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2010).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

***Basis of consolidation***

The consolidated financial statements include the accounts of Inmarsat Group Limited and its domestic and overseas subsidiary undertakings. All intercompany transactions and balances with subsidiary undertakings have been eliminated on consolidation.

Subsidiary undertakings include all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated Income Statement from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal.

Where necessary, adjustments are made to financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill.

For transactions completed on or before 31 December 2009 fees and similar incremental costs incurred directly in making the acquisition are included in the cost of the acquisition and capitalised. Internal costs, and other expenses that cannot be directly attributed to the acquisition, are charged to the Income Statement.

***Foreign currency translation***

a) Functional and presentation currency

The functional currency of the Company and most of the Group's subsidiaries and the presentation currency of the Group is the US dollar, as the majority of operational transactions are denominated in US dollars.

The exchange rate between US dollars and Pounds Sterling as at 31 December 2009 was US$1.61/£1.00 (2008:US$1.44/£1.00). The average rate between US dollar and Pounds Sterling for 2009 was US$1.56/£1.00 (2008:US$1.86/£1.00, 2007: US$2.00/£1.00). The hedged rate between US dollar and Pounds Sterling for 2009 was US$1.92/£1.00 (2008: US$2.01/£1.00, 2007: US$1.81/£1.00).

b) Transactions and balances

Transactions not denominated in the functional currency of the respective subsidiary undertakings of the Group during the year have been translated using the spot rates of exchange ruling at the dates of the transactions. Differences on exchange arising on the settlement of the transactions denominated in currencies other than the respective functional currency are recognised in the Income Statement.

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the Group have been translated at the spot rates of exchange ruling at the end of each month. Differences on exchange arising from the translation of monetary assets and liabilities denominated in currencies other than the respective functional currency are recognised in equity to the extent that the foreign exchange exposure is hedged while the remaining differences are recognised in the Income Statement.

***Financial instruments and hedging activities***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as accounts receivable, short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective-interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. Cash and cash equivalents include cash in hand and bank time deposits, together with other short-term highly-liquid investments. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the Income Statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Income Statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the Income Statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the Income Statement when the committed or forecasted transaction is recognised in the Income Statement. However, where the Group has applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the Income Statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement.

***Revenue recognition***

Mobile satellite communications services (“MSS”) revenue results from utilisation charges that are recognised as revenue over the period in which the services are provided. Deferred income attributable to MSS or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. MSS lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and twelve months, unless another systematic basis is deemed more appropriate.

The Group’s revenues are stated net of volume discounts, The seasonality of volume discounts has been removed following the implementation the new distribution agreements on 15 April 2009. Historically, volume discounts increased over the course of the financial year as specific revenue thresholds were achieved by distribution partners resulting in lower prices.

Revenue also includes income from services contracts, rental income, conference facilities and income from the sale of terminals. Revenue from service contracts, rental income and conference facilities is recognised as the service is provided. Sales of terminals are recognised when the risks and rewards of ownership are transferred to the purchaser.

Appropriate allowances for estimated irrecoverable amounts are recognised against revenue when there is objective evidence that trade receivables may be impaired. Larger accounts are specifically reviewed to assess a customer’s ability to make payments.

***Employee benefits***

Wages, salaries, social security contributions, accumulating annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are performed by the employees of the Group.

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrably committed to either terminate the employment of current employees or to provide termination benefits, as a result of an offer made to encourage voluntary redundancy.

The Group recognises liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees in the UK and overseas. The Group’s net obligation in respect of defined benefit pension plans and post-retirement healthcare benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the Statement of Comprehensive Income.

The Group operates a number of defined contribution pension schemes in its principal locations. Pension costs for the defined contribution schemes are charged to the Income Statement when the related employee service is rendered.

Inmarsat plc, the ultimate holding company issues equity-settled share options and awards to employees of the Group. Equity settled share option awards are measured at fair value at the date of the grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

***Deferred income tax***

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Research and development***

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once a business case has been demonstrated as to the technical feasibility and commercial viability. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

***Property, plant and equipment***

***Space segment assets***

Space segment assets comprise satellite construction, launch and other associated costs. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestone payments, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset. Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. The associated liability is stated at its net present value and included within liabilities. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service. As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ("qualifying assets") are added to the costs of those assets. Prior to 1 January 2008 borrowing costs for the construction of assets were not capitalised.

***Assets in course of construction***

Assets in course of construction relate to the Alphasat satellite, the S-Band project, GSPS services and BGAN services. These assets will be transferred to space segment assets and depreciated over the life of the satellites once they become operational and placed into service.

No depreciation has been charged on these assets.

***Other fixed assets***

Other fixed assets are stated at historical cost less accumulated depreciation.

***Depreciation***

Depreciation is calculated to write off the historical cost less residual values, if any, of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. The Group selects its depreciation rates and residual values carefully and reviews them annually to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The lives assigned to significant tangible fixed assets are:

| | |
|---|---|
| Space segment | 5–15 years |
| Fixtures and fittings, and services-related equipment | 10 years |
| Buildings | 20 years |
| Other fixed assets | 3–5 years |

***Gains and losses on disposals of tangible and intangible assets***

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in the Income Statement.

***Intangible assets***

Intangible assets comprise goodwill, patents, trademarks, software, terminal development costs, spectrum rights and intellectual property. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year.

***(a) Goodwill***

Goodwill represents the excess of consideration paid on the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing.

***(b) Patents and trademarks***

Patents and trademarks are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives which are 7 and 20 years respectively.

***(c) Software development costs***

Development costs directly relating to the development of new services are capitalised as intangible assets. Costs are capitalised once a business case has been demonstrated as to technical feasibility and commercial viability. Such costs are amortised over the estimated sales life of the services.

***(d) Terminal development costs***

The Group capitalises development costs associated with the development of user terminals. For BGAN services terminal development costs are amortised using the straight-line method over their estimated useful lives which is between 5 and 10 years.

***(e) Spectrum rights***

Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are amortised over a remaining useful life of 5.3 years.

***(f) Intellectual property***

Intellectual property is carried at cost less accumulated amortisation and is now fully amortised.

### *Impairment of non-financial assets*

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period is not reversed.

For the purpose of conducting impairment reviews, CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one CGU.

### *Leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

### *Interest and finance costs*

Interest is recognised in the Income Statement using the effective interest rate method.

Transaction and arrangement costs of borrowings are capitalised as part of the carrying amount of the borrowings and amortised over the life of the debt.

The accretion of the discount on the principal on the Subordinated Preference Certificates is accounted for as an interest expense.

As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', borrowing costs attributable to the construction of qualifying assets are added to the costs of those assets.

### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average cost method.

### *Cash and cash equivalents*

Cash and cash equivalents, measured at fair value, includes cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings as current liabilities on the Balance Sheet.

### *Provisions*

Provisions, other than in respect of pension and post-retirement healthcare benefits, are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

### *Borrowings*

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

## 3. Financial risk management

### *Financial risk factors*

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

The Board of Directors of Inmarsat plc (ultimate parent company) has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 27). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

### *(a) Market risk*

*(i) Foreign exchange risk*

The functional currency of Inmarsat Group Limited is US dollars. The Group generates substantially all of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of the Group's operating costs are denominated in Sterling. This exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated foreign currency exposure in operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

As at 31 December 2009 it is estimated that:

- A hypothetical 1% inflation of the hedged US dollar/Sterling exchange rate (US$1.92/£1.00 to US$1.94/£1.00) would have decreased the 2009 profit before tax by approximately US$1.3m (2008: US$1.3m, 2007: US$1.2m).
- A hypothetical 1% inflation of the US dollar/Sterling foreign currency spot rate at 31 December 2009, would have reduced the 2009 profit before tax by approximately US$0.1m (2008: reduced by US$0.1m, 2007: increased by US$0.1m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.
- A hypothetical 1% inflation in the US dollar/Sterling and a 1% deflation in the US dollar/Euro foreign currency spot rates at 31 December 2009, would have impacted equity by US$1.2m and US$1.5m, respectively (2008: US$1.3m and US$1.5m, respectively, 2007: US$1.3m and US$nil, respectively) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

*(ii) Price risk*

The Group is not exposed to significant equity securities price risk or commodity price risk.

### *(b) Interest rate risk*

Given the Group has no significant interest-bearing assets, income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The policy of the Group is to ensure certainty of the interest charge by fixing interest rates on 60 – 100% of forecast net debt for the next two years on a rolling basis. The Senior Notes due 2017 are at fixed rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2009, if interest rates on borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US$0.9m (2008: US$1.6m, 2007: US$1.4m). This is primarily due to the Group's exposure to interest rates on its variable rate borrowings and cash and cash equivalents. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

***(c) Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits, trade receivables and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

The maximum exposure to credit risk is:

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | **(US$ in millions)** | |
| Cash and cash equivalents (note 15) | **116.8** | 51.2 |
| Trade receivables (note 16) | **136.7** | 153.9 |
| Derivative financial instruments (note 27) | **25.0** | 9.7 |
| **Total credit risk** | **278.5** | 214.8 |

The Group's average age of trade receivables as at 31 December 2009 was approximately 72 days (2008: 77 days). No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of individual agreements. The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third party collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis. As at 31 December 2009 the Group had not provided for any specific trade receivables (2008: US$nil).

For 2009, two (2008: two) distribution partners (including Stratos Global Corporation, a wholly owned subsidiary of our ultimate parent company) comprised approximately 77.3% (2008: 80.8%) of the Group's revenues. These same two customers comprised 79.7% (2008: 80.7%) of the Group's trade receivables balance as at 31 December 2009. No other customer accounted for 10% or more of the Group's accounts receivable at 31 December 2009 and 2008.

The following table sets out the Group's trade receivable balance by maturity:

| | Year ended 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | **(US$ in millions)** | |
| Current | **114.7** | 149.6 |
| Between 1 and 30 days overdue | **21.3** | 2.7 |
| Between 31 and 120 days overdue | **0.3** | 1.1 |
| Over 120 days overdue | **0.4** | 0.5 |
| **Total trade receivables** (note 16) | **136.7** | 153.9 |

***(d) Liquidity risk***

The Group is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits and the availability of funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains a long-term Revolving Credit Facility of US$300.0m that is designed to ensure it has sufficient available funds for operations. Drawings on this facility were US$90.0m as at 31 December 2009 (2008: US$140.0m under the Previous Senior Credit facility).

## 4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the consolidated financial statements 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. Actual results could differ from those estimates. The more significant estimates are discussed below:

### *(a) Estimated impairment of goodwill*

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 14.

For the purpose of testing for impairment, goodwill is specifically allocated to CGUs. Two CGUs have been identified, being 'Mobile Satellite Services' ("MSS") and 'Other'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the MSS CGU only. Therefore, goodwill has been tested for impairment on the MSS CGU only. As at 31 December 2009 the carrying amount of goodwill allocated to the MSS CGU was US$406.2m (as at 31 December 2008: US$406.2m)

Goodwill is tested by comparing the carrying amount of the CGU with its value in use. The value in use calculation utilises an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The key assumptions used in calculating the value in use are as follows:

- discount rate—the pre-tax rate used to discount the operating profit projections in respect of the Group was 10.5% (2008: 10.5%); and
- operating profit projections are derived from recently approved five-year forecasts and have assumed a terminal growth rate for the Group of 3.0%. (2008: 3.0%).

Using the value in use as a measure, no impairment to the carrying value of goodwill was recognised. In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount.

### *(b) Pension arrangements and post-retirement healthcare benefit assumptions*

The Group has applied a rate of return on assets of 7.77% p.a. (2008: 7.77% p.a., 2007: 7.40% p.a.) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liability was 5.50%. (2008: 6.10%, 2007: 5.80%) (see note 25).

### *(c) Income Tax*

The Group's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group's 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. Issues can, and often do, take a number of years to resolve. 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.

## 5. Segmental information

The Group has adopted IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Executive Management Board to allocate resources and assess performance. The adoption of IFRS 8 has had no impact on our reportable segments and as such, the Group's reportable segments remain:

- MSS – the supply of internally generated airtime, equipment and services to distribution partners and end-users of mobile satellite communications by the Inmarsat business.
- 'Other' – principally comprises income from technical support to other operators, the provision of conference facilities, leasing surplus office space to external organisations.

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, income tax expense and in certain segments, corporate costs.

***Primary reporting format—business segments***

| | Note | 2009 | | | |
|---|---|---|---|---|---|
| | | MSS | Other | Unallocated | Total |
| | | (US$ in millions) | | | |
| Revenue | | **684.9** | **9.9** | **—** | **694.8** |
| Segment result (operating profit) | | **314.1** | **1.4** | **—** | **315.5** |
| Net interest charged to the Income Statement | 9 | | | **(93.5)** | **(93.5)** |
| Profit before income tax | | | | | **222.0** |
| Income tax expense | 10 | | | | **(50.4)** |
| Profit for the year | | | | | **171.6** |
| Segment assets | | **2,004.7** | **—** | **116.8** | **2,121.5** |
| Segment liabilities | | **(251.2)** | **—** | **(1,297.4)** | **(1,548.6)** |
| Capital expenditure[a] | | **(142.1)** | **—** | **—** | **(142.1)** |
| Depreciation | | **(160.2)** | **—** | **—** | **(160.2)** |
| Amortization of intangible assets | | **(19.7)** | **—** | **—** | **(19.7)** |

(a) Capital expenditure stated using accruals basis.

| | Note | 2008 | | | |
|---|---|---|---|---|---|
| | | MSS | Other | Unallocated | Total |
| | | (US$ in millions) | | | |
| Revenue | | 624.5 | 10.2 | — | 634.7 |
| Segment result (operating profit) | | 261.9 | 2.4 | — | 264.3 |
| Net interest charged to the Income Statement | 9 | | | (72.1) | (72.1) |
| Profit before income tax | | | | | 192.2 |
| Income tax credit | 10 | | | | 164.2 |
| Profit for the year | | | | | 356.4 |
| Segment assets | | 2,052.2 | — | 79.3 | 2,131.5 |
| Segment liabilities | | (227.5) | — | (1,383.7) | (1,611.2) |
| Capital expenditure[a] | | (203.1) | — | — | (203.1) |
| Depreciation | | (144.5) | — | — | (144.5) |
| Amortization of intangible assets | | (22.5) | — | — | (22.5) |

(a) Capital expenditure stated using accruals basis.

| | Note | 2007 | | | |
|---|---|---|---|---|---|
| | | MSS | Other | Unallocated | Total |
| | | (US$ in millions) | | | |
| Revenue | | 549.3 | 7.9 | — | 557.2 |
| Segment result (operating profit) | | 208.3 | 1.0 | — | 209.3 |
| Net interest charged to the Income Statement | 9 | — | — | (81.4) | (81.4) |
| Profit before income tax | | | | | 127.9 |
| Income tax expense | 10 | | | | (29.0) |
| Profit for the year | | | | | 98.9 |
| Segment assets | | 1,966.8 | — | 31.3 | 1,998.1 |
| Segment liabilities | | (166.7) | — | (1,481.3) | (1,648.0) |
| Capital expenditure[a] | | (190.6) | — | — | (190.6) |
| Depreciation | | (154.0) | — | — | (154.0) |
| Amortization of intangible assets | | (20.2) | — | — | (20.2) |

(a) Capital expenditure stated using accruals basis.

***Secondary reporting format—geographical segments***

The Group mainly operates in the geographic areas as included in the table below. The home country of the Group is the United Kingdom with its head office and central operations located in London.

Revenues are allocated to countries based on the billing address of the distribution partner who receives the invoice for the services.

Assets and capital expenditure are allocated based on the physical location of the assets.

| | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Revenue | Non-current segment assets[(b)] | Revenue | Non-current segment assets [(b)] | Revenue | Non-current segment assets[(b)] |
| Europe | **293.4** | **969.5** | 224.5 | 895.7 | 293.4 | 969.5 |
| North America | **314.9** | **—** | 323.1 | — | 314.9 | — |
| Asia Pacific | **73.5** | **—** | 76.5 | — | 73.5 | — |
| Rest of the world | **13.0** | **—** | 10.6 | — | 13.0 | — |
| Unallocated[(a)] | **—** | **842.1** | — | 926.3 | — | 842.1 |
| | **694.8** | **1,811.6** | 634.7 | 1,822.0 | 694.8 | 1,811.6 |

(a) Unallocated items relate to satellites which are in orbit.
(b) In line with IFRS 8, 'Operating Segments', non-current assets exclude derivative financial instruments and deferred income tax assets.

## 6. Profit before income tax

Costs are presented by the nature of the expense to the Group. Network and satellite operations costs comprise costs to third parties for network service contracts, operating lease rentals and services. A further breakdown of employee benefit costs is given in note 7 below.

Profit before income tax is stated after charging the following items:

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | Note | 2009 | 2008 | 2007 |
| | | (US$ in millions) | | |
| Depreciation of property, plant and equipment: | | | | |
| — Owned assets [(a)] | 13 | **160.2** | 144.5 | 154.0 |
| Amortisation of intangible assets | 14 | **19.7** | 22.5 | 20.2 |
| Operating lease rentals: | | | | |
| — Land and buildings | | **10.1** | 12.7 | 11.7 |
| — Space segment | | **15.1** | 18.6 | 15.4 |

(a) Included within depreciation on owned assets for 2007 is a non-recurring charge of $9.4m relating to accelerated depreciation of an amount that was previously capitalised as part of the launch of the third Inmarsat-4 satellite.

The analysis of the Auditors' remuneration is as follows:

| | Note | Year ended 31 December 2009 | 2008 | 2007 |
|---|---|---|---|---|
| | | (US$ in millions) | | |
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | | **—** | — | — |
| Fees payable to the Company's Auditor for other services to the group: | | | | |
| — The audit of the Company's subsidiaries, pursuant to legislation | | **0.3** | 0.3 | 0.3 |
| **Total audit fees** | | **0.3** | 0.3 | 0.3 |
| — Other services, pursuant to legislation | | **0.1** | 0.2 | 0.1 |
| — Tax services | | **1.0** | 0.1 | 0.4 |
| — Services relating to corporate finance transactions | | **0.5** | — | — |
| **Total non-audit services** | | **1.6** | 0.3 | 0.5 |

(a) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditors of US$27,106 (2008: US$27,140, 2007: US$25,454) for the 2009 financial year.
(b) At 31 December 2009 the Group had contractually committed to $0.3m of tax services to be completed in the 2010 financial year.

## 7. Employee benefit costs (including the Executive Directors)

| | Note | Year ended 31 December 2009 | 2008 | 2007 |
|---|---|---|---|---|
| | | (US$ in millions) | | |
| Wages and salaries | | **85.3** | 80.6 | 73.6 |
| Social security costs | | **8.6** | 9.1 | 8.7 |
| Share options charge (including employers' national insurance contribution) | 24 | **10.8** | 8.5 | 5.2 |
| Defined contribution pension plan costs | | **3.8** | 3.6 | 3.0 |
| Defined benefit pension plan costs[(a)] | 25 | **1.1** | 1.6 | 2.4 |
| Post-retirement healthcare plan costs[(a)] | 25 | **0.8** | 0.8 | 0.8 |
| **Total employee benefits costs** | | **110.4** | 104.2 | 93.7 |

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2009, 2008 and 2007 reflect the service cost (see note 25).

### *Employee numbers*

The average monthly number of people (including the Executive Directors) employed during the year by category of employment:

| | Year ended 31 December 2009 | 2008 | 2007 |
|---|---|---|---|
| | (US$ in millions) | | |
| Operations | **181** | 175 | 164 |
| Sales and marketing | **87** | 79 | 78 |
| Development and engineering | **79** | 87 | 86 |
| Administration | **136** | 125 | 123 |
| | **483** | 466 | 451 |

## 8. Directors' remuneration

None of the Directors received emoluments in respect of his/her service to the Company in the years ended 31 December 2009, 2008 and 2007.

Executive and Non-Executive Directors' remuneration for Inmarsat plc (the ultimate parent company) was:

| | Salaries/Fees | | | Bonus | | | Benefits | | | Total | | | Pension | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** |
| | | | | | | | | **(US$000)** | | | | | | | |
| **Executive Directors** | | | | | | | | | | | | | | | |
| Michael Butler[b] ..... (resigned on 30 April 2009) | **391** | 626 | 553 | **100** | 463 | 423 | **4** | 12 | 12 | **495** | 1,101 | 988 | **7** | 24 | 20 |
| Rick Medlock ......... | **617** | 551 | 485 | **465** | 425 | 360 | **12** | 12 | 11 | **1,094** | 988 | 856 | **23** | 24 | 20 |
| Andrew Sukawaty[c] ...... | **1,016** | 905 | 748 | **1,401** | 1,018 | 796 | **46** | 36 | 36 | **2,463** | 1,959 | 1,580 | **127** | 117 | 95 |
| | **2,024** | 2,082 | 1,786 | **1,966** | 1,906 | 1,579 | **62** | 60 | 59 | **4,052** | 4,048 | 3,424 | **157** | 165 | 135 |
| **Non-Executive Directors** | | | | | | | | | | | | | | | |
| Sir Bryan Carsberg (appointed 22 June 2005) | **94** | 97 | 85 | **—** | — | — | **—** | — | — | **94** | 97 | 85 | **—** | — | — |
| Stephen Davidson. (appointed 22 June 2005) | **110** | 111 | 94 | **—** | — | — | **—** | — | — | **110** | 111 | 94 | **—** | — | — |
| Admiral James Ellis Jr[d] (ret).... (appointed 22 June 2005) | **179** | 179 | 157 | **—** | — | — | **—** | — | — | **179** | 179 | 157 | **—** | — | — |
| Kathleen Flaherty .. (appointed 9 May 2006) | **90** | 93 | 80 | **—** | — | — | **—** | — | — | **90** | 93 | 80 | **—** | — | — |
| Janice Obuchowski (appointed 5 May 2009) | **60** | — | — | **—** | — | — | **—** | — | — | **60** | — | — | **—** | — | — |
| John Rennocks...... (appointed 4 January 2005) | **169** | 173 | 151 | **—** | — | — | **—** | — | — | **169** | 173 | 151 | **—** | — | — |
| | **2,726** | 2,735 | 2,353 | **1,966** | 1,906 | 1,579 | **62** | 60 | 59 | **4,754** | 4,701 | 3,991 | **157** | 165 | 135 |

Notes:
(a) £:US$ exchange rate used was £1:$1.92 for 2009 (2008: £1:$2.01, 2007: 1:1.81).
(b) Salary for 2009 for Michael Butler includes US$192,000 in lieu of awards under the BSP and PSP.
(c) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
(d) The fee for Admiral James Ellis Jr (Rtd) included a fee as a Director of Inmarsat Inc., a wholly-owned subsidiary in the US. As at 31 December 2009, this fee was US$84,386 (2008: US$82,732, 2007: $79,780).

One Director (2008: two, 2007: two) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2008: one, 2007: one).

### *Key management*

The Executive Directors and the Executive Staff (comprising the Chief Executive Officer and his direct reports) are the key management of the business.

## 9. Net interest payable

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (US$ in millions) | | |
| Interest on Senior Notes and credit facilities | **25.2** | 28.8 | 38.7 |
| Interest on subordinated parent company loan | **44.5** | 44.0 | 39.6 |
| Pension and post-retirement liability finance costs | **4.2** | — | 1.3 |
| Interest rate swaps | **11.2** | 4.8 | — |
| Unwinding of discount on deferred satellite liabilities | **3.0** | 2.8 | 3.4 |
| Amortisation of debt issue costs[a] | **7.7** | 2.8 | 2.8 |
| Redemption premium on Senior Notes | **4.1** | — | — |
| Other interest | **0.9** | 1.0 | 0.8 |
| **Interest payable and similar charges** | **100.8** | 84.2 | 86.6 |
| Less: Amounts included in the cost of qualifying assets[b] | **(4.4)** | (0.9) | — |
| **Total interest payable and similar charges** | **96.4** | 83.3 | 86.6 |
| Bank interest receivable and other interest[c] | **2.9** | 1.6 | 4.9 |
| Interest rate swaps | **—** | — | 0.3 |
| Pension and post-retirement liability finance gains | **—** | 9.6 | — |
| **Total interest receivable and similar income** | **2.9** | 11.2 | 5.2 |
| **Net interest payable** | **93.5** | 72.1 | 81.4 |

(a) Includes US$4.5m of unamortised debt issue costs which were written off in relation to the cancellation of the Previous Senior Credit Facility and redemption of the Senior Notes due 2012 (see note 19).

(b) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 8.63% (2008: 8.54%).

(c) Includes US$0.5m of unamortised premium which was recorded on the redemption of the Senior Notes due 2012 (see note 19).

## 10. Income tax

Income tax (expense)/credit recognised in the Income Statement:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (US$ in millions) | | |
| **Current tax (expense)/credit:** | | | |
| Current year | **(29.3)** | (3.0) | (13.9) |
| Adjustments in respect of prior periods | | | |
| — Recognition of finance lease and operating leaseback[a] | **—** | 6.8 | — |
| — Reduction of Jersey Corporation Tax rate to nil% | **—** | 0.4 | — |
| — Other | **3.7** | (2.3) | — |
| **Total current tax (expense)/credit** | **(25.6)** | 1.9 | (13.9) |
| **Deferred tax (expense)/credit:** | | | |
| Origination and reversal of temporary differences | | | |
| — Recognition of finance lease and operating leaseback[a] | **—** | 211.8 | — |
| — Other | **(26.3)** | (48.7) | (24.3) |
| Adjustment in respect of the reduction in the Corporation tax rate from 30% to 28% | **—** | — | 9.2 |
| Adjustments in respect of prior periods | **1.5** | (0.8) | — |
| **Total deferred tax (expense)/credit** | **(24.8)** | 162.3 | (15.1) |
| **Total income tax (expense)/credit** | **(50.4)** | 164.2 | (29.0) |

(a) The current tax and deferred tax credits relate to a finance lease and operating leaseback transaction that was entered into in 2007. We recorded the tax benefit as we consider it likely that we will receive the benefit.

Reconciliation of effective tax rate

| | Year ended 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| | | **(US$ in millions)** | |
| Profit before tax | **222.0** | 192.2 | 127.9 |
| Income tax at 28% (2008: 28.5%, 2007: 30%) | **(62.2)** | (54.8) | (38.4) |
| Adjustments in respect of prior periods: | | | |
| — Recognition of finance lease and operating leaseback | **—** | 6.8 | — |
| — Reduction of Jersey Corporation Tax rate to nil% | **—** | 0.4 | — |
| — Other | **5.2** | (2.9) | — |
| Differences in overseas tax rates | **0.1** | 0.9 | 0.1 |
| Effect of the future reduction in the Corporation Tax rate from 30% to 28% on: | | | |
| — opening deferred tax balance | **—** | — | 9.2 |
| — current year movement in deferred tax | **—** | (2.8) | 2.4 |
| Impact of finance lease and operating leaseback on deferred tax | **—** | 215.6 | — |
| Other non-deductible expenses/non-taxable income | **6.5** | 1.0 | (2.3) |
| **Total income tax (expense)/credit** | **(50.4)** | 164.2 | (29.0) |

Tax (charged)/credited to equity:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| | | **(US$ in millions)** | |
| Current tax credit on share options | **0.1** | 1.8 | 0.6 |
| Deferred tax credit/(charge) on share options | **1.2** | (0.5) | (0.4) |
| Deferred tax (charge)/credit relating to gains on cash flow hedges | **(12.6)** | 10.5 | 5.1 |
| Deferred tax credit/(charge) on actuarial gains and losses from pension and post-retirement healthcare benefits | **5.2** | 2.8 | (2.2) |
| **Total tax (charged)/credited to equity** | **(6.1)** | 14.6 | 3.1 |

## 11. Net foreign exchange (gains)/losses

| | Year ended 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| | | **(US$ in millions)** | |
| Pension and post-retirement liability (note 25) | **2.9** | (10.3) | 0.6 |
| Other operating costs | **(7.9)** | (1.4) | 2.9 |
| **Total foreign exchange (gains)/losses** | **(5.0)** | (11.7) | 3.5 |

## 12. Dividends

The dividends paid in 2009 to Inmarsat Holdings Limited (parent company) were US$58.4m and US$86.5m for the 2009 interim dividend and the 2008 final dividend respectively.

A second interim dividend for the 2009 financial year amounting to US$100.7m was declared on 22 March 2010 by the Directors to be paid to Inmarsat Holdings Limited in lieu of a final dividend. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

The dividends paid in 2008 and 2007 were US$159.6m and US$135.3m respectively.

## 13. Property, plant and equipment

| | Freehold land and buildings | Services equipment, fixtures and fittings | Space segment | Assets in the course of construction | Total |
|---|---|---|---|---|---|
| | | | (US$ in millions) | | |
| Cost at 1 January 2008 | 2.7 | 81.6 | 1,452.9 | 230.2 | 1,767.4 |
| Additions | — | 7.6 | 16.0 | 162.7 | 186.3 |
| Transfers | — | 0.4 | 0.2 | (0.6) | — |
| **Cost at 31 December 2008** | 2.7 | 89.6 | 1,469.1 | 392.3 | 1,953.7 |
| Additions | **—** | **13.6** | **38.9** | **58.2** | **110.7** |
| Transfers | **—** | **4.9** | **347.5** | **(352.4)** | **—** |
| **Cost at 31 December 2009** | **2.7** | **108.1** | **1,855.5** | **98.1** | **2,064.4** |
| Accumulated depreciation at 1 January 2008 | (2.7) | (65.3) | (432.9) | — | (500.9) |
| Charge for the year | — | (15.0) | (129.5) | — | (144.5) |
| **Accumulated depreciation at 31 December 2008** | (2.7) | (80.3) | (562.4) | — | (645.4) |
| Charge for the year | **—** | **(6.2)** | **(154.0)** | **—** | **(160.2)** |
| **Accumulated depreciation at 31 December 2009** | **(2.7)** | **(86.5)** | **(716.4)** | **—** | **(805.6)** |
| **Net book amount at 31 December 2008** | — | 9.3 | 906.7 | 392.3 | 1,308.3 |
| **Net book amount at 31 December 2009** | **—** | **21.6** | **1,139.1** | **98.1** | **1,258.8** |

The depreciation charge for 2007 in respect of freehold land and buildings, services equipment, fixtures and fittings and space segment assets was US$nil, US$17.9m and US$136.1m respectively.

The space segment asset lives range from 5 to 15 years. The first, second and third of the Inmarsat-4 satellites were placed in service during the 2005, 2006 and 2009 financial years, respectively, and are being depreciated over 15 years. As at 31 December 2008 the costs associated with the Inmarsat-4 F3 satellite remained in assets under construction. No depreciation was recognised in 2008 in respect of the Inmarsat-4 F3 satellite. The R-BGAN service was terminated on 31 December 2008, therefore all associated assets had been fully depreciated by the end of 2008.

At 31 December 2009 and 2008, freehold land and buildings for the Group were carried at cost less accumulated depreciation (US$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2009 would have been US$4.8m (based on the 31 December 2009 exchange rate between the US dollar and Pounds Sterling of US$1.61/£1.00) (2008: US$5.5m). The Directors determined the market valuation.

## 14. Intangible assets

| | Goodwill | Trademarks | Software | Patents | Terminal development costs | Spectrum rights | Intellectual property | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (US$ in millions) | | | | |
| Cost at 1 January 2008 | 406.2 | 19.0 | 60.4 | 14.0 | 75.7 | 2.7 | 0.7 | 578.7 |
| Additions | — | — | 9.1 | — | 7.7 | — | — | 16.8 |
| **Cost at 31 December 2008** | 406.2 | 19.0 | 69.5 | 14.0 | 83.4 | 2.7 | 0.7 | 595.5 |
| Additions | **—** | **—** | **7.9** | **—** | **23.5** | **—** | **—** | **31.4** |
| **Cost at 31 December 2009** | **406.2** | **19.0** | **77.4** | **14.0** | **106.9** | **2.7** | **0.7** | **626.9** |
| Accumulated amortisation at 1 January 2008 | — | (3.9) | (29.7) | (8.1) | (16.7) | (0.5) | (0.4) | (59.3) |
| Charge for the year | — | (1.0) | (12.0) | (2.0) | (6.9) | (0.3) | (0.3) | (22.5) |
| **Accumulated amortisation at 31 December 2008** | — | (4.9) | (41.7) | (10.1) | (23.6) | (0.8) | (0.7) | (81.8) |
| Charge for the year | **—** | **(1.0)** | **(8.9)** | **(2.0)** | **(7.5)** | **(0.3)** | **—** | **(19.7)** |
| **Accumulated amortisation at 31 December 2009** | **—** | **(5.9)** | **(50.6)** | **(12.1)** | **(31.1)** | **(1.1)** | **(0.7)** | **(101.5)** |
| **Net book amount at 31 December 2008** | 406.2 | 14.1 | 27.8 | 3.9 | 59.8 | 1.9 | — | 513.7 |
| **Net book amount at 31 December 2009** | **406.2** | **13.1** | **26.8** | **1.9** | **75.8** | **1.6** | **—** | **525.4** |

The amortisation charge for 2007 in respect of trademarks, software, patents, terminal development assets, spectrum rights and intellectual property was US$1.0m, US$9.6m, US$2.0m, US$6.9m, US$0.4m and US$0.3m respectively.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. (see note 4(a)).

Patents and trademarks are being amortised on a straight-line basis over their estimated useful lives which are seven and 20 years respectively.

The software capitalised relates to the Group's BGAN billing system and other internally developed operational systems and purchased software and is being amortised on a straight-line basis over its estimated useful life of 5 to 7 years. All other software is amortised on a straight-line basis, over 3 to 5 years.

User terminal development costs directly relating to the development of the user terminals for the BGAN services are capitalised as intangible fixed assets. The R-BGAN service was terminated on 31 December 2008, therefore all R-BGAN user terminal costs had been fully depreciated by 31 December 2008. R-BGAN costs were being amortised over the estimated sales life of the services which was 5 years. BGAN costs are being amortised over the estimated sales life of the services, which is 5 to 10 years.

Spectrum rights relate to the acquisition of ACeS and are being amortised on a straight-line basis over the remaining useful lives of 5.3 years.

Intellectual property relates to the acquisition of ACeS and is now fully amortised.

## 15. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the Cash Flow Statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | **(US$ in millions)** | |
| Cash at bank and in hand | **7.3** | 3.5 |
| Short-term deposits with original maturity of less than three months | **109.5** | 47.7 |
| | **116.8** | 51.2 |

Cash and cash equivalents include the following for the purposes of the Cash Flow Statement:

| | As at 31 December | |
|---|---|---|
| | **2009** | **2008** |
| | **(US$ in millions)** | |
| Cash and cash equivalents | **116.8** | 51.2 |
| Bank overdrafts (note 19) | **(0.9)** | (5.7) |
| | **115.9** | 45.5 |

## 16. Trade and other receivables

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Current:** | | |
| Trade receivables | **136.7** | 153.9 |
| Other receivables | **9.0** | 12.6 |
| Amounts due from parent undertakings | **10.1** | 32.0 |
| Other prepayments and accrued income | **11.3** | 17.0 |
| | **167.1** | 215.5 |

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Non-current:** | | |
| Loan due from intercompany | **27.4** | — |
| | **27.4** | — |

The Directors consider the carrying value of trade and other receivables to approximate to their fair value.

## 17. Inventories

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| Finished goods | **1.0** | 5.0 |

The Directors consider the carrying value of inventories to approximate to their fair value.

## 18. Trade and other payables

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Current:** | | |
| Trade payables | **48.8** | 53.6 |
| ACeS deferred consideration | **2.9** | 2.4 |
| Other short-term deferred consideration | **0.7** | — |
| Other taxation and social security payables | **2.5** | 2.3 |
| Other creditors | **0.8** | 1.0 |
| Amounts due to parent undertakings | **1.1** | 4.4 |
| Accruals and deferred income | **103.6** | 52.8 |
| | **160.4** | 116.5 |

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Non-current:** | | |
| ACeS deferred consideration | **—** | 2.7 |
| Other long-term deferred consideration | **1.3** | — |
| Other payables | **13.5** | 11.6 |
| | **14.8** | 14.3 |

The Directors consider the carrying value of trade and other payables to approximate to their fair value.

## 19. Borrowings

| | Effective interest rate | As at 31 December | |
|---|---|---|---|
| | | **2009** | **2008** |
| | % | (US$ in millions) | |
| **Current:** | | | |
| Bank overdrafts | 1.8 | **0.9** | 5.7 |
| Deferred satellite payments[a] | 7.0 | **9.3** | 10.2 |
| Senior Credit Facility[b] | 7.45 | **90.0** | — |
| Previous Senior Credit Facility[c] | | **—** | 190.0 |
| Total current borrowings | | **100.2** | 205.9 |
| **Non-current:** | | | |
| Deferred satellite payments[a] | 7.0 | **38.1** | 31.2 |
| Senior Credit Facility[b] | 7.45 | **189.4** | — |
| Previous Senior Credit Facility[c] | | **—** | 199.4 |
| Senior Notes due 2017[d] | 7.375 | **637.5** | — |
| — Issuance discount[d] | | **(4.8)** | |
| Senior Notes due 2012[e] | 7.625 | **—** | 158.2 |
| Premium on Senior Notes due 2012[e] | | **—** | 0.7 |
| Subordinated parent company loan: [f][g] | 5.38 | | |
| — principal | | **301.3** | 766.9 |
| — interest | | **—** | 5.7 |
| Intercompany loan | | **2.8** | — |
| Total non-current borrowings | | **1,164.3** | 1,162.1 |
| **Total borrowings** | | **1,264.5** | 1,368.0 |

(a) Deferred satellite payments represent amounts payable to satellite manufacturers which become payable annually depending on the continued successful performance of the satellite. The gross amounts of the deferred satellite payments have been discounted to net present value at 7%.

(b) On 6 November 2009, we drew down on our US$500.0m Senior Credit Facility. The new facility consists of a US$200.0m Term Loan and a US$300.0m Revolving Credit Facility (of which we have initially drawn US$90.0m). The new Senior Credit Facility will mature in May 2012 and has substantially similar terms and conditions as the Previous Senior Credit Facility. Advances under the new Senior Credit Facility will bear interest equal to LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the ratio of total net debt to EBITDA.

(c) On 6 November 2009 we pre-paid and cancelled the outstanding amount under the Previous Senior Credit Facility of US$315.0m and wrote-off unamortised costs in relation to the facility of US$0.3m.

(d) On 12 November 2009, our wholly-owned subsidiary company Inmarsat Finance plc issued US$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ('Senior Notes Due 2017'). The aggregate gross proceeds of the new notes issued were US$645.2m net of US$4.8m issuance discount. We capitalised US$12.5m of issuance costs in relation to the issue of the Senior Notes due 2017.

(e) On 11 December 2009 we redeemed the entire principal amount of US$160.4m outstanding under Inmarsat Finance plc's 7.625% Senior Notes due 2012. At the redemption date we wrote-off US$4.2m of unamortised costs and US$0.5m in respect of the capitalised premium, in relation to the Senior Notes due 2012.

(f) Inmarsat Finance plc is 99.9% owned by Inmarsat Group Limited, and 0.1% owned by Inmarsat Holdings Limited, which is the parent of Inmarsat Group Limited. Inmarsat Group Limited's ability to obtain funds from its subsidiaries by dividend or loan is limited by the Senior Credit Facility and the indenture governing the Senior Notes. The Senior Credit Facility contains negative covenants that, among other things, generally restrict or prohibit the indirect subsidiary Inmarsat Investments Limited and its subsidiaries from making any repayment of principal under the indentures governing the Senior Notes and from declaring or paying certain dividends or making certain other distributions to shareholders or making payment under the subordinated parent company loan. In addition, the indentures governing the Senior Notes contain covenants that, among other things, directly or indirectly restrict Inmarsat Group Limited's ability to make certain payments, including dividends or other distributions, prepay or redeem subordinated debt or equity. Substantially all of the net assets of Inmarsat Group Limited's unconsolidated and consolidated subsidiaries as of the end of 31 December 2009 are restricted net assets.

(g) Loans represent funding advanced by the parent company in the form of a subordinated parent company loan. Inmarsat Holdings Limited issued Euro denominated Subordinated Preference Certificates with an aggregate nominal amount at the date of issue of US$27,632m (at a price of US$618.8m euro equivalent) in December 2003. Inmarsat Holdings Limited loaned to Inmarsat Group Limited (which, in turn loaned to Inmarsat Investments Limited) the aggregate proceeds of the Subordinated Preference Certificates via a subordinated parent company loan. The loan has no fixed maturity and may be repaid at any time at each borrower's option. Interest on the subordinated parent company loan accrues at a rate of 5.38% per annum in 2009 (2008: 5.91%, 2007: 5.85%, per annum).

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

| | At 31 December 2009 | | | At 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | Principal amount | Deferred finance cost | Net balance | Principal amount | Deferred finance cost | Net balance |
| | | | (US$ in millions) | | | |
| Senior Credit Facility | **290.0** | **(10.6)** | **279.4** | — | — | — |
| Previous Senior Credit Facility | **—** | **—** | **—** | 390.0 | (0.6) | 389.4 |
| Senior Notes due 2017 | **650.0** | **(12.5)** | **637.5** | — | — | — |
| — Issuance discount | **(4.8)** | **—** | **(4.8)** | — | — | — |
| Senior Notes due 2012 | **—** | **—** | **—** | 163.7 | (5.5) | 158.2 |
| — Premium on Senior Notes due 2012 | **—** | **—** | **—** | 0.7 | — | 0.7 |
| Subordinated parent company loan: | | | | | | |
| — principal | **301.3** | **—** | **301.3** | 766.9 | — | 766.9 |
| — interest | **—** | **—** | **—** | 5.7 | — | 5.7 |
| Deferred satellite payments | **47.4** | **—** | **47.4** | 41.4 | — | 41.4 |
| Bank overdrafts | **0.9** | **—** | **0.9** | 5.7 | — | 5.7 |
| Intercompany loan | **2.8** | **—** | **2.8** | — | — | — |
| **Total Borrowings** | **1,287.6** | **(23.1)** | **1,264.5** | 1,374.1 | (6.1) | 1,368.0 |

The maturity of non-current borrowings is as follows:

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| Between one and two years | **51.2** | 205.2 |
| Between two and five years | **158.0** | 949.6 |
| After five years | **955.1** | 7.3 |
| | **1,164.3** | 1,162.1 |

The Group has a US$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2009 was drawn down by US$90.0m (2008: US$140.0m drawn down under the revolving portion of the Previous Senior Credit Facility).

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2017, to approximate to their fair value (see note 27).

The effective interest rates at the Balance Sheet dates were as follows:

| | As at 31 December | |
|---|---|---|
| **Effective interest rate %** | **2009** | **2008** |
| Bank overdrafts | **1.8** | 2.0 |
| Senior Notes due 2017 | **7.375** | — |
| Senior Notes due 2012 | **—** | 7.625 |
| Subordinated Parent Company Loan | **5.38** | 5.91 |
| Senior Credit Facility | **7.45** | — |
| Previous Senior Credit Facility | **—** | 4.59 |
| Deferred satellite payments | **7.0** | 7.0 |

## 20. Provisions

| | Other provisions |
|---|---|
| | (US$ in millions) |
| **Current:** | |
| As at 1 January 2007 | 1.6 |
| Utilised in current year | (1.5) |
| **As at 31 December 2007** | 0.1 |
| Utilised in current year | (0.1) |
| **As at 31 December 2008** | **—** |
| Charged to provision in respect of current year | **1.8** |
| Utilised in current year | **(1.3)** |
| **As at 31 December 2009** | **0.5** |

| | Post retirement healthcare benefits | Pension | Other | Total |
|---|---|---|---|---|
| | (US$ in millions) | | | |
| **Non-Current:** | | | | |
| As at 1 January 2007 | 22.0 | 15.2 | 0.4 | 37.6 |
| Charged to Income Statement in respect of current year | 2.4 | 2.1 | 0.4 | 4.9 |
| Credited directly to Comprehensive Income in respect of current year | (1.9) | (5.4) | — | (7.3) |
| Contributions paid | — | (5.3) | — | (5.3) |
| Utilised in current year | (0.2) | — | (0.1) | (0.3) |
| **As at 31 December 2007** | 22.3 | 6.6 | 0.7 | 29.6 |
| Credited/(charged) to Income Statement in respect of current year | (4.8) | (2.4) | 0.3 | (6.9) |
| Charged directly to Comprehensive Income in respect of current year | 2.6 | 8.4 | — | 11.0 |
| Contributions paid | — | (5.7) | — | (5.7) |
| Utilised in current year | (0.3) | — | (0.2) | (0.5) |
| **As at 31 December 2008** | 19.8 | 6.9 | 0.8 | 27.5 |
| Charged to Income Statement in respect of current year | **4.4** | **1.7** | **0.2** | **6.3** |
| Charged directly to Comprehensive Income in respect of current year | **9.3** | **11.6** | **—** | **20.9** |
| Contributions paid | **—** | **(5.4)** | **—** | **(5.4)** |
| Utilised in current year | **(0.3)** | **—** | **(0.5)** | **(0.8)** |
| **As at 31 December 2009** | **33.2** | **14.8** | **0.5** | **48.5** |

During 2009, the Group made an additional cash contribution of US$3.6m (2008: US$3.8m) to reduce the pension deficit. Following the actuarial valuation of the Inmarsat Pension Plan ("the Plan") as at 31 December 2008 (see note 25), the trustee and the Company have agreed that additional contributions will be paid to the Plan. It was agreed that £2.2m would be paid in November 2009 and £2.2m annually thereafter, up to and including November 2015.

Other provisions in 2009, 2008 and 2007 relate to a legally required provision for eventual severance payments to employees in Italy and Dubai.

## 21. Current and deferred income tax assets and liabilities

The current income tax liability of US$30.0m (2008: US$15.7m) represents the income tax payable in respect of current and prior periods less amounts paid.

### *Recognised deferred income tax assets and liabilities*

The movements in deferred income tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

| | As at 31 December 2009 | | | As at 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| | | | (US$ in millions) | | | |
| Property plant and equipment and intangible assets | **(2.6)** | **21.6** | **19.0** | (19.3) | 16.1 | (3.2) |
| Other | **(1.5)** | **1.8** | **0.3** | (19.4) | 3.6 | (15.8) |
| Pension asset | **(11.9)** | **—** | **(11.9)** | (6.8) | — | (6.8) |
| Share options | **(4.5)** | **—** | **(4.5)** | (2.3) | — | (2.3) |
| **Net deferred income tax (assets)/liabilities** | **(20.5)** | **23.4** | **2.9** | (47.8) | 19.7 | (28.1) |

Movement in temporary differences during the year:

| | As at 1 January 2009 | Recognised in income | Recognised in equity | As at 31 December 2009 |
|---|---|---|---|---|
| Property plant and equipment and intangible assets | **(3.2)** | **22.2** | **—** | **19.0** |
| Other | **(15.8)** | **3.5** | **12.6** | **0.3** |
| Pension asset | **(6.8)** | **0.1** | **(5.2)** | **(11.9)** |
| Share options | **(2.3)** | **(1.0)** | **(1.2)** | **(4.5)** |
| **Total liability/(asset)** | **(28.1)** | **24.8** | **6.2** | **2.9** |

| | As at 1 January 2008 | Recognised in income | Recognised in equity | As at 31 December 2008 |
|---|---|---|---|---|
| Property plant and equipment and intangible assets | 163.9 | (167.1) | — | (3.2) |
| Other | (5.6) | 0.3 | (10.5) | (15.8) |
| Pension asset | (8.0) | 4.1 | (2.9) | (6.8) |
| Share options | (3.3) | 0.4 | 0.6 | (2.3) |
| **Total liability/(asset)** | 147.0 | (162.3) | (12.8) | (28.1) |

In 2007 the amount of deferred income tax recognised in the income statement in respect of property plant and equipment and intangible assets and pension assets and was a charge of US$26.2m and US$0.3m respectively. In 2007 the amount of deferred income tax recognised in income in respect of share options and other was a credit of US$1.1m and US$1.1m respectively.

## 22. Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (US$ in millions) | | |
| Profit for the year | **171.6** | 356.4 | 98.9 |
| Adjustments for: | | | |
| Depreciation and amortisation | **179.9** | 167.0 | 174.2 |
| Income tax charge/(credit) | **50.4** | (164.2) | 29.0 |
| Interest payable | **96.4** | 83.3 | 86.6 |
| Interest receivable | **(2.9)** | (11.2) | (5.2) |
| Non-cash employee benefit charges | **10.8** | 8.5 | 5.2 |
| Forward exchange contracts | **(7.6)** | 8.3 | 1.4 |
| Changes in net working capital: | | | |
| Decrease/(increase) in trade and other receivables | **24.0** | (17.7) | (4.8) |
| Decrease/(increase) in inventories | **4.0** | (0.1) | (4.1) |
| Increase/(decrease) in trade and other payables | **42.3** | (1.5) | (6.0) |
| Decrease in provisions | **(3.6)** | (3.6) | (3.5) |
| **Cash generated from operations** | **565.3** | 425.2 | 371.7 |

## 23. Share capital

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Authorised:** | | |
| 630,780,000 ordinary shares of €0.0005 each | **0.4** | 0.4 |
| | **0.4** | 0.4 |
| **Allotted, issued and fully paid:** | | |
| 610,239,895 ordinary shares of €0.0005 each (2008: 610,239,894) | **0.4** | 0.4 |
| | **0.4** | 0.4 |

## 24. Employee share options

In November 2004, the Company adopted the Staff Value Participation Plan (the "2004 Plan"). 219,020 A ordinary shares were granted under the 2004 Plan to eligible Directors or employees of the Group. A second grant of options over 7,140 A ordinary shares was made under the 2004 Plan to employees in January 2005. As part of the IPO in 2005, the A ordinary shares were converted following a 1 for 20 share split into ordinary shares. A third grant of options over 1,175,240 ordinary shares of €0.0005 each was approved in May 2005 under the 2004 Plan and granted to employees in June 2005. Both subsequent grants were made on equivalent terms to the initial grant in November 2004.

All options granted under the 2004 Plan and held by optionholders have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant. Following the exercise of options granted under the 2004 Plan, shares are transferred to the optionholders from the Inmarsat Employees' Share Ownership Plan Trust ("the Trust") (resident in Guernsey). No new shares have been issued to satisfy the exercise of these options.

A summary of share activity within the Trust as at 31 December 2009 is as follows:

| | Shares available for grant | Options outstanding | Weighted average exercise price per option |
|---|---|---|---|
| **Balance at 1 January 2008** | 1,040,904 | 311,692 | £3.64 |
| Forfeited | 180 | (180) | |
| Exercised | – | (122,551) | £4.74 |
| Exercise re International Sharesave Plan | (28,926) | – | |
| Market purchase of shares (30 October 2008) | 10,000 | – | |
| **Balance at 31 December 2008** | 1,022,158 | 188,961 | £3.75 |
| Exercised | – | (25,787) | £5.64 |
| Exercise re International Sharesave Plan | (1,922) | – | |
| Adjustment | (4,942) | – | |
| **Balance at 31 December 2009** | **1,015,294** | **163,174** | £3.67 |
| **Exercisable at 31 December 2009** | **–** | **163,174** | |
| **Exercise Price per tranche** | **–** | **€1.00** | |

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2009 is 5 years.

In line with IFRS 2, Share-Based Payment, the Group recognised US$10.8m, US$8.5m and US$5.2m respectively in total share compensation costs across all its share plans for the 2009, 2008 and 2007 financial years. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

Prior to the Company being publicly quoted, the exercise price of the options over the A ordinary shares of the Company issued under the 2004 Plan was de minimis in nature and post the IPO remains de minimis in nature, accordingly the fair value of each option is equivalent to the fair value of the underlying share at the date of the grant. This fair value of US$12.50 per share (before any adjustment for the share split in June 2005) was estimated with the assistance of independent advisers, who calculated a range of potential values using analysis of comparable quoted shares, discounted cash flows and comparable transactions. The fair value within this range was then selected by the Directors using the independent analysis which had been prepared.

For the options granted under the 2004 Plan in June 2005 (before the share split), the fair value was estimated by the Directors to be US$30.00 per share. The US$30.00 was calculated using a similar methodology to the independent advisers as the Directors of the Company continued to believe that the 'discounted trading multiple' approach was the most appropriate.

The Company also operates a Bonus Share Plan ("BSP"). The following awards under the BSP have been made to the Executive Directors and certain members of senior management:

- during 2006, awards of shares were made relating to a monetary award determined in May 2005 and September 2005. These awards have now all vested;
- during 2008, awards of shares were made relating to a monetary award determined in March, May and September 2007. These awards vested and will vest (subject to continued employment) in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2008, 2009 and 2010;
- during 2009, awards of shares were made relating to a monetary award determined in March 2008. These awards will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2010, 2011 and 2012; and
- during 2010, awards of shares will be made relating to a monetary awards determined in March and May 2009. These awards will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2011, 2012 and 2013.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSP are non-market based performance conditions. Dividends will accrue and be added as additional shares upon vesting. Details of the operation of the BSP can be found in the Directors' Remuneration Report.

The rules of the BSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares.

As the BSP provides free share awards with no market based performance conditions attached, and which carry an entitlement to dividends paid in cash or shares during the vesting period, the fair value of the awards is the value of

the grant. This is due to the fact that regardless of the market price at the time the award of shares is made, the total value of shares to be awarded will not change.

The Company also operates a Performance Share Plan ("PSP") under which the first share award was made on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the share award was determined by reference to the price at which the shares were offered for sale upon the listing of the Company on the London Stock Exchange in June 2005 of £2.45 per share. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares. In March 2008, 100% of these shares vested.

Additional share awards were made in September 2005, March 2007, March 2008, March 2009 and May 2009 with the reference price in determining the number of shares of £3.24, £3.95, £4.39, £4.57 and £5.35 respectively (market value of shares on the date of grant).

The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares at the end of the relevant three year period unless a participant leaves and is entitled under the Rules to receive a proportionate award and the performance condition has been met.

The performance conditions for the PSP is based on the Group's Total Shareholder Return ("TSR") relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non-market based condition, based on EBITDA measured over a three year period. The vesting schedule for PSP awards is structured so that the shape of the vesting schedule is determined by both TSR and EBITDA performance. The market based performance condition has been incorporated into the valuation. The fair value of the allocation and the assumptions used in the calculation are as follows:

| | Performance Share Plan | | | | | |
|---|---|---|---|---|---|---|
| Grant date | **31 May 2005** | **29 September 2005** | **29 March 2007** | **19 March 2008** | **20 March 2009** | **14 May 2009** |
| Grant price | £2.45 | £3.24 | £3.95 | £4.39 | £4.57 | £5.35 |
| Exercise price | nil | nil | nil | nil | nil | nil |
| Bad leaver rate | 0% | 0% | 0% | 0% | 0% | 0% |
| Vesting period | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years |
| Expected correlation between any pair of shares in PSP comparator group | 12% | 10% | n/a | n/a | n/a | n/a |
| Volatility | 36% | 34% | 27% | 28.5% | 34.9% | 36.2% |
| Fair value per share option | £1.34 | £2.20 | £2.15 | £2.40 | £3.21 | £3.30 |

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2009 is 8.0 and 7.1 years respectively.

In September 2007 the Remuneration Committee made the Chief Executive Officer an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-market closing share price on 27 September 2007 was £4.49 per share. On 1 October 2009, at the request of the Nominations Committee on behalf of the Inmarsat plc board of directors, the Chief Executive Officer agreed to extend his term as Chairman and Chief Executive Officer to 30 September 2011 and then remain in the role of Chairman for a period of not less than one year. The Remuneration Committee also agreed changes on the same date to the existing CEO Award. No shares will be earned unless, by 30 September 2012 (previously the term was to 30 September 2010), the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The share price performance condition will be assessed on the basis of the average closing price of Inmarsat shares over the last 60 days (previously 20 trading days) of the performance period. Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest.

The Remuneration Committee anticipates that if an award of shares is made to Mr Sukawaty, then the share price performance will have out-performed the FTSE 350 Index (excluding investment trusts). However, in the event that this is not the case, the Remuneration Committee retains the discretion to scale back the award of shares by up to 50% of the proposed share award.

The Trust purchased one million shares on 26 November 2007 to hold against the satisfaction of the award. This has been funded through a loan from Inmarsat plc to the Trust.

An announcement was made on 16 December 2009 relating to a deferred share bonus award of 125,000 shares to the Chief Executive Officer. The mid-market closing share price on 15 December 2009 was £6.59 per share. The shares will generally vest in September 2012 to the extent that the performance condition of EBITDA growth related to the 2010 financial year has been satisfied.

| | **CEO Award** | **CEO Deferred Share Bonus Award** |
|---|---|---|
| Grant date | **28 September 2007** | **16 December 2009** |
| Grant price | £4.49 | £6.59 |
| Exercise price | nil | nil |
| Bad leaver rate | 0% | 0% |
| Vesting period | 3 years | 3 years |
| Expected correlation between any pair of shares in PSP comparator group | n/a | n/a |
| Volatility | 28% | n/a |
| Fair value per share option | £2.65 | n/a |

The Company also operates a UK Sharesave Scheme. The Sharesave Scheme is an HM Revenue & Customs approved scheme open to all UK PAYE-paying permanent employees. The maximum that can be saved each month by an employee is £250 and savings plus interest may be used to acquire shares by exercising the related option at the end of the three-year savings contract. Options are exercisable for a period of up to six months following the end of the three year savings contract and under certain circumstances if an employee leaves the Inmarsat group. No dividends are accumulated on options during the vesting period. Newly issued shares will be used to satisfy the options.

The first grant under the Sharesave Scheme was made in July 2005 with an option grant price of £2.24 per ordinary share (a 20% discount to market value of the shares on the first invitation date (23 June 2005)). The first grant matured on 1 September 2008.

A second grant under the Sharesave Scheme was made in December 2008 with an option price of £3.06 per ordinary share (a 20% discount to the average market value of the shares in the week prior to the invitation date (17-21 November 2008)).

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. However, instead of receiving a share option, participants receive the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares only – some of which are held by the Trust and some of which will be newly-issued.

The first grant under the International Sharesave Plan was made in October 2005 with an option grant price of £2.24 per ordinary share. The first grant matured on 1 September 2008.

A second grant under the International Sharesave Plan was made in December 2008 with an option price of £3.06 per ordinary share.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the second grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2009 is 2.5 years for each plan.

Options under the UK Sharesave Scheme and International Sharesave Plan have been valued using the Black Scholes model with the following assumptions:

| | Sharesave Scheme (UK) | Sharesave Scheme (UK) | Sharesave Plan (International) | Sharesave Plan (International) |
|---|---|---|---|---|
| Grant date | 21 July 2005 | 15 December 2008 | 19 October 2005 | 15 December 2008 |
| Market price at date of Grant | £3.14 | £4.44 | £2.80 | £4.44 |
| Exercise price | £2.24 | £3.06 | £2.24 | £3.06 |
| Bad leaver rate | 5%pa | 3%pa | 5%pa | 3%pa |
| Vesting period | 3 years | 3 years | 3 years | 3 years |
| Volatility | 35% | 33.2% | 34% | 33.2% |
| Dividend yield assumption | 3.6% | 3.36% | 2.8% | 3.36% |
| Risk free interest rate | 4.25% | 2.46% | 4.25% | 2.46% |
| Fair value per option | £1.10 | £1.50 | £0.90 | £1.50 |

The historical volatility is based on the constituents of the FTSE 350 Telecoms Service Index, which was measured over three years to each of the grant dates. The volatility assumption used for each of the awards is based on median volatility for the constituents of the sector.

Awards under the UK Share Incentive Plan ("SIP") were made on 7 April 2006 and 10 April 2007. The SIP is an HM Revenue & Customs approved plan open to all UK permanent employees and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award 'Free Shares' (up to a maximum value of £3,000) to employees. Employees can also acquire 'Partnership Shares' from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free 'Matching Shares' per 'Partnership Share' (equivalent to a maximum value of £3,000 per annum). The market value per ordinary share at the date of the awards was £3.77 (2006) and £4.14 (2007).

Arrangements were put in place for eligible overseas employees to replicate both awards under the SIP as closely as possible. Additional arrangements were put in place for employees to acquire shares over the capped amounts in relation to the SIP award in 2006. On 7 April 2006, in aggregate 57,872 ordinary shares of €0.0005 each were awarded to eligible employees from the Trust in respect of the award to overseas employees and the additional award to certain employees. On 10 April 2007, 15,926 ordinary shares of €0.0005 each were awarded to eligible overseas employees to replicate the SIP award. The same market values per ordinary share were used as for the SIP for each award.

No Executive Director or member of Executive Staff applied to participate in the SIP or equivalent overseas arrangements.

A summary of share awards and option activity as at 31 December 2009 (excluding the 2004 Plan which is noted above) is as follows:

| | SIP (UK) | SIP (Intl and Unapproved) | BSP | CEO Share Plans[a] | PSP | Sharesave (UK) | Sharesave (International) | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2008** | 549,907 | 58,122 | 969,238 | 1,000,000 | 440,209 | 888,523 | 170,331 | 4,076,330 |
| Granted/Allocated | - | - | 807,630 | 125,000 | 427,687 | - | - | 1,360,317 |
| Lapsed | - | - | - | - | - | (31,467) | (4,705) | (36,172) |
| Exercised | - | - | - | - | - | (57,895) | (6,766) | (64,661) |
| Transferred/Sold | (44,543) | (46,112) | (415,357) | - | - | - | - | (506,012) |
| **Balance at 31 December 2009** | **505,364** | **12,010** | **1,361,511** | **1,125,000** | **867,896** | **799,161** | **158,860** | **4,829,802** |
| **Exercisable at 31 December 2009** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Exercise Price per share** | **n/a** | **n/a** | **nil** | **nil** | **nil** | **(b)** | **(c)** | **n/a** |

(a) The CEO Share Plans comprises (i) the CEO Award of 1 million shares, where as described previously, a further award over 700,000 shares could be earned if, after three years from grant, the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.

(b) The first grant under the UK Sharesave scheme in 2005 had an exercise price of £2.24.
The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.

(c) The first grant under the International Sharesave plan in 2005 had an exercise price of £2.24.
The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.

## 25. Pension arrangements and post-retirement healthcare benefits

The Group provides both pension fund arrangements and post-retirement medical benefits for its employees.

The Group operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee.

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries, Watson Wyatt Limited, as at 31 December 2008. The actuarial valuation of the liabilities of the scheme at that date, net of assets, was US$17.3m. The results of the valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2009. The results of this updated valuation as at 31 December 2009, for the purposes of the additional disclosures required by IAS 19, are set out below.

The post-retirement healthcare benefits are the provision of healthcare to retired employees (and their dependants) who were employed before 1 January 1998. Employees who have 10 years of service at the age of 58 and retire are eligible to participate in the post-retirement healthcare benefit plans. The plan is self-funded and there are no plan assets from which the costs are paid. The cost of providing retiree healthcare is actuarially determined and accrued over the service period of the active employee group. Membership of this plan is multi-national, although most staff are currently employed in the UK.

The obligation under these plans was determined by the application of the terms of medical plans, together with relevant actuarial assumptions and healthcare cost trend rates. The long-term rate of medical expense inflation used in the actuarial calculations is 4.0% per annum in excess of the rate of general price inflation of 3.85% (2008: 4.0% in excess of 3.15%, 2007: 4.0% in excess of 3.45%), The discount rate used in determining the accumulated post-retirement benefit obligation was 5.5% at 31 December 2009 (2008: 6.1%, 2007: 5.8%).

The principal actuarial assumptions used to calculate pension and post-retirement healthcare benefits liabilities under IAS 19, are:

| | As at 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Discount rate | **5.50%** | 6.10% | 5.80% |
| Expected return on plan assets | **7.77%** | 7.77% | 7.40% |
| Future salary increases | **5.60%** | 5.15% | 5.45% |
| Medical cost trend rate | **7.85%** | 7.15% | 7.45% |
| Future pension increases | **3.85%** | 3.15% | 3.45% |

The mortality assumption has been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for the Group's pension and post-retirement healthcare benefits liabilities are as follows:

| | **2009** | **2008** | **2007** |
|---|---|---|---|
| | | Number of years | |
| Male current age 65 | **87.4** | 86.2 | 85.0 |
| Female current age 65 | **90.3** | 89.5 | 88.2 |

For 2009, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum. For 2008, mortality was assumed to follow the standard tables PA92C2006 with the improvement allowance of 0.25% replaced with medium cohort improvements.

The assets held in respect of the defined benefit scheme and the expected rates of return were:

| | As at 31 December 2009 | | |
|---|---|---|---|
| | **Long-term rate of return expected** | **Value** | **Percentage of total plan assets** |
| | % | (US$ in millions) | % |
| Equities | **8.15** | **46.8** | **86.99** |
| Cash | **4.75** | **—** | **—** |
| Bonds | **5.00** | **5.3** | **9.85** |
| Other | **6.30** | **1.7** | **3.16** |
| **Fair value of scheme assets** | | **53.8** | |

| | As at 31 December 2008 | | |
|---|---|---|---|
| | Long-term rate of return expected | Value | Percentage of total plan assets |
| | % | (US$ in millions) | % |
| Equities | 8.15 | 29.5 | 84.29 |
| Cash | 3.95 | — | — |
| Bonds | 5.40 | 4.2 | 12.00 |
| Other | 6.80 | 1.3 | 3.71 |
| **Fair value of scheme assets** | | 35.0 | |

Amounts recognised in the Balance Sheet are:

| | As at 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| Present value of funded defined benefit obligations (pension) | **(68.6)** | (41.9) |
| Present value of unfunded defined benefit obligations (post-retirement healthcare) | **(33.2)** | (19.8) |
| Fair value of defined benefit assets | **53.8** | 35.0 |
| **Net defined benefit liability recognised in balance sheet** | **(48.0)** | (26.7) |

Analysis of the movement in the present value of the defined benefit obligations is as follows:

| | Defined benefit pension plan | Post-retirement medical benefits |
|---|---|---|
| | (US$ in millions) | |
| At 1 January 2008 | 58.2 | 22.3 |
| Current service cost | 1.6 | 0.8 |
| Interest cost | 3.4 | 1.3 |
| Actuarial (gain)/loss | (6.3) | 2.6 |
| Foreign exchange gain | (15.6) | (6.9) |
| Benefits paid | (0.5) | (0.3) |
| Contributions by pension participants | 1.1 | — |
| **At 31 December 2008** | 41.9 | 19.8 |
| Current service cost | **1.1** | **0.8** |
| Interest cost | **3.4** | **1.6** |
| Actuarial loss | **17.4** | **9.3** |
| Foreign exchange loss | **4.0** | **2.0** |
| Benefits paid | **(0.2)** | **(0.3)** |
| Contributions by pension participants | **1.0** | **—** |
| **At 31 December 2009** | **68.6** | **33.2** |

Analysis of the movement in the fair value of the assets of the defined benefit section of the UK Scheme is as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| At 1 January | **35.0** | 51.6 |
| Expected return on plan assets | **3.7** | 4.0 |
| Actuarial gain/(loss) | **5.8** | (14.7) |
| Contributions by employer | **5.4** | 5.7 |
| Contributions by pension participants | **1.0** | 1.1 |
| Benefits paid | **(0.2)** | (0.5) |
| Foreign exchange loss/(gain) | **3.1** | (12.2) |
| **At 31 December** | **53.8** | 35.0 |

Amounts recognised in the Income Statement in respect of the plans are as follows:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits |
| | (US$ in millions) | | | | | |
| Current service cost .................. | **1.1** | **0.8** | 1.6 | 0.8 | 2.4 | 0.8 |
| Interest cost.......... | **3.4** | **1.6** | 3.4 | 1.3 | 2.6 | 1.0 |
| Expected return on pension assets. | **(3.7)** | **—** | (4.0) | — | (2.9) | — |
| Foreign exchange (gain)/loss ........ | **0.9** | **2.0** | (3.4) | (6.9) | — | 0.6 |
| | **1.7** | **4.4** | (2.4) | (4.8) | 2.1 | 2.4 |
| Actual return on plan assets....... | **10.5** | **—** | (9.5) | — | 3.2 | — |

Current services costs for 2009 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange (gains)/losses are included within interest payable (note 9).

Amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits |
| | (US$ in millions) | | | | | |
| Net actuarial losses/(gains)..... | **11.6** | **9.3** | 8.4 | 2.6 | (5.4) | (1.9) |

History of experience gains and losses:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits | Defined benefit pension plan | Post-retirement healthcare benefits |
| Present value of defined benefit obligations (US$ in millions) ......... | **(68.6)** | **(33.2)** | (41.9) | (19.8) | (58.2) | (22.3) |
| Fair value of plan assets (US$ in millions) ............. | **53.8** | **—** | 35.0 | — | 51.6 | — |
| Deficit in plans (US$ in millions) | **(14.8)** | **(33.2)** | (6.9) | (19.8) | (6.6) | (22.3) |
| Experience (losses)/gains on plan liabilities (US$ in millions) | **(0.3)** | **0.1** | — | (7.1) | — | 0.3 |
| Percentage of plan liabilities............ | **(0.4)%** | **0.3%** | 0.0% | (35.9)% | 0.0% | 1.3 % |
| Experience losses/(gains) on plan assets (US$ in millions) | **5.8** | **—** | (14.7) | — | (0.3) | — |
| Percentage of plan assets................ | **10.8%** | **—** | (42.0 )% | — | (0.6)% | — |

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Defined benefit pension plan | Post-retirement healthcare benefi ts | Defined benefit pension plan | Post-retirement healthcare benefits |
| Present value of defined benefit obligations (US$ in millions) | (56.3) | (22.0) | (46.6) | (18.5) |
| Fair value of plan assets (US$ in millions) | 41.1 | — | 27.9 | — |
| Deficit in plans (US$ in millions) | (15.2) | (22.0) | (18.7) | (18.5) |
| Experience (losses)/gains on plan liabilities (US$ in millions) | 3.4 | 0.3 | — | (0.7) |
| Percentage of plan liabilities | 6.0 % | 1.4% | 0.1% | (3.9)% |
| Experience losses on plan assets (US$ in millions) | (0.2) | — | 3.9 | — |
| Percentage of plan assets | (0.5)% | — | 14.0% | — |

The estimated contributions expected to be paid to the defined benefit pension plan during 2010 are US$4.7m (2009: actual US$5.4m, 2008: actual US$5.7m).

The healthcare cost trend rate assumption for the Group's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2009 by US$9.5m (2008: US$5.2m, 2007: US$5.1m), and the aggregate of the service cost and interest cost by US$0.7m (2008: US$0.7m, 2007: US$0.4m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2009 by US$7.0m (2008: US$3.9m, 2007: US$4.0m), and the aggregate of the service cost and interest cost by US$0.5m (2008: US$0.5m, 2007: US$0.3m).

### 26. Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (US$ in millions) | |
| Within one year | **19.1** | 16.6 | 31.7 |
| Within two to five years | **45.9** | 40.5 | 59.7 |
| After five years | **102.5** | 99.1 | 146.3 |
| | **167.5** | 156.2 | 237.7 |

Operating lease commitments relate to leased office space, primarily of the Group's head office located at 99 City Road, London, and various non-cancellable network service contracts and maintenance contracts, which have varying terms.

At 31 December 2009, the Group in addition to the above operating lease commitments, is contracted to pay warranty costs of US$0.5m over the next year (as at 31 December 2008: US$nil over the next year, as at 31 December 2007: US$1.5m over the next year).

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2009 relating to the above head office lease is US$1.1m over one year (as at 31 December 2008: US$2.7m over two years, as at 31 December 2007: US$3.5m over two years).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms. The Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (US$ in millions) | |
| Within one year | **37.2** | 24.0 | 25.9 |
| Within two to five years | **0.3** | 0.4 | 1.6 |
| | **37.5** | 24.4 | 27.5 |

## 27. Financial instruments

***Treasury management and strategy***

The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum twelve-month rolling basis with the option of covering exposures up to a maximum of three years forward;
- interest rate hedging; and
- maximising return on short-term investments.

Treasury activities are only transacted with counter-parties who are approved relationship banks.

Treasury foreign exchange policy is implemented primarily through the use of forward purchases of foreign currencies. The treasury department is, however, authorised to use purchased options, futures and other derivative instruments, but only to the extent that such instruments form part of the hedging policy so as to establish a known rate of exchange.

Having arranged the purchase of foreign currency in line with the anticipated requirement for that currency over each financial year, an average rate of exchange is calculated from the agreed currency deals. This average rate is applied as per requirements of IAS 21. The policy is designed to minimise the impact of currency gains and losses in the Income Statement; gains and losses will arise to the extent that the level of actual payments in the period is different from those that were forecast.

***Capital risk management***

The Group's objective when managing its capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. 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. Additionally, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of debt, which includes borrowings (see note 19), cash and cash equivalents (see note 15) and equity attributable to equity holders of the parent (see note 23), comprising ordinary share capital, share premium, other reserves and retained earnings.

The Group's overall strategy remains unchanged from 2008.

***Financial Instrument by category***

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

| | As at 31 December 2009 | | | As at 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | **Loans and receivables** | **Derivatives used for hedging** | **Total** | **Loans and receivables** | **Derivatives used for hedging** | **Total** |
| | | | (US$ in millions) | | | |
| **Assets as per balance sheet** | | | | | | |
| Trade and other receivables | **167.1** | **—** | **167.1** | 215.5 | — | 215.5 |
| Cash and cash equivalents | **116.8** | **—** | **116.8** | 51.2 | — | 51.2 |
| Derivative financial instrument | **—** | **25.0** | **25.0** | — | 9.7 | 9.7 |
| | **283.9** | **25.0** | **308.9** | 266.7 | 9.7 | 276.4 |

| | As at 31 December 2009 | | | As at 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | **Derivatives used for hedging** | **Other financial liabilities** | **Total** | **Derivatives used for hedging** | **Other financial liabilities** | **Total** |
| | | | (US$ in millions) | | | |
| **Liabilities as per balance sheet** | | | | | | |
| Borrowings | **—** | **1,264.5** | **1,264.5** | — | 1,368.0 | 1,368.0 |
| Trade and other payables[(a)] | **—** | **67.2** | **67.2** | — | 70.3 | 70.3 |
| Derivative financial instrument | **27.0** | **—** | **27.0** | 69.2 | — | 69.2 |
| | **27.0** | **1,331.7** | **1,358.7** | 69.2 | 1,438.3 | 1,507.5 |

(a) Consists of trade payables, ACeS deferred consideration, other deferred consideration and other payables per note 18.

The table below analyses the Group's financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

| | At 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
| | | | (US$ in millions) | | |
| Borrowings[(a)] | **100.2** | **57.2** | **169.0** | **961.2** | **1,287.6** |
| Derivative financial instruments | **14.1** | **7.8** | **5.1** | **—** | **27.0** |
| Trade and other payables | **52.4** | **—** | **1.3** | **13.5** | **67.2** |
| | **166.7** | **65.0** | **175.4** | **974.7** | **1,381.8** |

(a) Excludes interest obligation on Senior Notes due 2017 and Senior Credit Facility of US$56.0m due less than one year, US$56.0m due 1-2 years, U$147.2m due 2-5 years and US$95.9m due over 5 years. Includes interest obligations on the Revolving Credit Facility assuming the current balance is held to maturity in May 2012 (see note 19). The above interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

| | At 31 December 2008 | | | | |
|---|---|---|---|---|---|
| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
| | | | (US$ in millions) | | |
| Borrowings[(a)] | 205.9 | 207.5 | 953.4 | 7.3 | 1,374.1 |
| Derivative financial instruments | 31.7 | 2.0 | 35.5 | — | 69.2 |
| Trade and other payables | 52.0 | 2.3 | 0.4 | 11.6 | 70.3 |
| | 293.6 | 211.8 | 989.3 | 18.9 | 1,513.6 |

(a) Excludes interest obligation on Senior Notes due 2012 and Previous Senior Credit Facility of US$33.1m due less than one year, US$27.6m due 1-2 years and U$35.5m due 2-5 years. Includes interest obligations on the Previous Revolving Credit Facility assuming the current balance is held to maturity in May 2010 (see note 19). The above interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

***Net fair values of derivative financial instruments***

The Group's derivative financial instruments as at 31 December 2009 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2008–90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

| | As at 31 December 2009 | As at 31 December 2008 |
|---|---|---|
| | (US$ in millions) | |
| **Contracts with positive fair values:** | | |
| Forward foreign currency contracts—designated cash flow hedges | **24.6** | 9.6 |
| Forward foreign currency contracts—undesignated | **0.4** | — |
| **Contracts with negative fair values:** | | |
| Forward foreign currency contracts—designated cash flow hedges | **(1.3)** | (30.8) |
| Forward foreign currency contracts—undesignated | **—** | (2.8) |
| **Total forward exchange currency contracts** | **23.7** | (24.0) |
| Interest rate swap—designated cash flow hedge | **(25.7)** | (35.5) |
| **Total net fair value** | **(2.0)** | (59.5) |
| **Less non-current portion** | | |
| Forward foreign currency contracts—designated cash flow hedges | **12.0** | 6.6 |
| Forward foreign currency contracts—undesignated | **—** | — |
| Interest rate swap—designated cash flow hedge | **(12.9)** | (35.5) |
| **Current portion** | **(1.1)** | (30.6) |

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

The fair value of foreign exchange contracts are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps performed by management were based upon a valuation provided by the counterparty. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

***Forward foreign exchange***

The following table sets out the face value and fair value of forward exchange contracts outstanding for the Group as at 31 December 2009 and 2008:

| | As at 31 December 2009 | | | | |
|---|---|---|---|---|---|
| **Outstanding forward foreign exchange contracts** | **Face value** | **Maturing within 1 year** | **Maturing between 1 and 2 years** | **Maturing between 2 and 5 years** | **Fair value (US$)** |
| | | | (In millions) | | |
| GBP contracts | **£79.3** | **£70.3** | **£9.0** | **—** | **8.3** |
| Euro contracts | **€ 120.00** | **€30.90** | **€45.20** | **€43.90** | **15.4** |
| | | | | | **23.7** |

| | As at 31 December 2008 | | | | |
|---|---|---|---|---|---|
| **Outstanding forward foreign exchange contracts** | **Face value** | **Maturing within 1 year** | **Maturing between 1 and 2 years** | **Maturing between 2 and 5 years** | **Fair value (US$)** |
| | | | (In millions) | | |
| GBP contracts | £94.6 | £67.6 | £27.0 | — | (32.3) |
| Euro contracts | €135.1 | €19.2 | €26.8 | €89.1 | 8.7 |
| Canadian dollar contracts | $2.0 | $2.0 | — | — | (0.4) |
| | | | | | (24.0) |

### *Interest rate swap*

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2009:

| Outstanding floating for fixed contracts | Average contracted fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | % | % | (US$ in millions) | | | |
| Less than 1 year | — | — | — | — | **(12.8)** | — |
| 1 to 2 years | **4.50%** | — | **100.0** | — | **(7.8)** | — |
| 2 to 5 years | **4.93%** | 4.79% | **200.0** | 300.0 | **(5.1)** | (35.5) |
| 5 years + | **—** | — | **—** | — | **—** | — |
| | | | **300.0** | 300.0 | **(25.7)** | (35.5) |

Under the interest rate swaps the Group received quarterly floating interest (three month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire. In 2009, the Group recognised a credit of US$0.6m (2008: a charge of US$1.4m, 2007: US$nil) directly in the Income Statement as a result of ineffectiveness arising on designated interest rate swaps.

### *Non derivative financial assets and financial liabilities*

Non derivative financial assets consist of cash at bank, short-term and long-term investments, trade debtors and other debtors.

Non derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facility, Senior Notes, subordinated parent company loan, accrued and accreted interest on borrowings, trade creditors and other creditors.

### *Fair value of non derivative financial assets and financial liabilities*

With the exception of Senior Notes, the fair values of all non derivative financial instruments approximate to the carrying value in the Balance Sheet.

The following methods and assumptions have been used to determine fair values:

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short maturity of these instruments (see note 15).
- The fair value of non derivative financial assets and financial liabilities approximate their carrying values (see note 16 and 18 respectively).
- The carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19).
- Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2009 net of unamortised arrangement costs of US$10.6m (2008: US$0.6m). The fair value approximates the carrying value (see note 19).
- The Senior Notes due 2017 are reflected in the Balance Sheet as at 31 December 2009 net of unamortised arrangement costs and issuance discount of US$12.5m and US$4.8m, respectively (see note 19). The fair value of the Senior Notes are based on the market price of the bonds as at 31 December 2009 and are reflected in the table below.
- The fair value of the subordinated parent company loan is based on the book value at year end, as this is the best approximation to fair value given that this loan is not traded.
- The Senior Notes due 2012 were redeemed in December 2009 (see note 19).

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | Carrying amount | Fair value amount | Carrying amount | Fair value amount |
| | (US$ in millions) | | | |
| Senior Notes due 2017 | **(650.0)** | **(661.4)** | — | — |
| Senior Notes due 2012[(a)] | — | — | (310.4) | (270.8) |

(a) At 31December 2008 includes US$147.6m of the aggregate principal amount outstanding which was owned by Group (see note 19).

## 28. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2009 of US$394.5m (2008: US$366.9m). These amounts primarily represent commitments in respect of the Alphasat project.

## 29. Related party transactions

Stratos Global Corporation ("Stratos") is a related party of the Group by virtue of the common control provisions of IAS 24, 'Related party disclosures'. Revenue earned by the Group from Stratos for the year ended 31 December 2009 was US$274.2m (31 December 2008: US$256.4m). Other trading between the Group and Stratos was not material to either party for the year ended 31 December 2009 and the period 31 December 2008. The amount held in accounts receivable owing from Stratos at 31 December 2009 was US$54.0m (2008: US$66.2m). The amount held in deferred revenue in relation to Stratos at 31 December 2009 was US$19.0m (2008: US$12.5m).

Remuneration paid the Executive and Non-Executive Directors of Inmarsat plc, during the year is disclosed in note 8. The amount owing to the Directors as at 31 December 2009 was US$2.0m (2008: US$1.6m, 2007: US$1.6m).

The Company's parent undertaking is Inmarsat Holdings Limited and ultimate controlling party is Inmarsat plc, both incorporated in Great Britain and registered in England and Wales. The largest and smallest groups into which the results of the Company are consolidated are headed by Inmarsat plc and the Company respectively. Copies of the Inmarsat plc consolidated financial statements can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX or obtained from the website (www.inmarsat.com).

Management believes that all related party transactions were made on an arm's length basis.

## 30. Principal subsidiary undertakings

The following subsidiaries are included in the consolidated financial information:

| | Principal activity | Country of incorporation and operation | Interest in issued ordinary share capital as at 31 December 2009 | 2008 |
|---|---|---|---|---|
| EuropaSat Limited | Operating company | Great Britain | **100%** | 100% |
| Hornet Acquisition, Inc [(a)] | Holding company | USA | **100%** | – |
| Inmarsat B.V. | Service provider | The Netherlands | **100%** | 100% |
| Inmarsat Brasil Limitada | Legal representative of Inmarsat | Brazil | **99.9%** | 99.9% |
| Inmarsat Canada Holdings Inc. | Holding company | Canada | **100%** | 100% |
| Inmarsat Employee Share Plan Trustees Limited | Corporate trustee | Great Britain | **100%** | 100% |
| Inmarsat Employees' Share Ownership Plan Trust | Employee share trust | Great Britain | **100%** | 100% |
| Inmarsat Employment Company Limited | Employment company | Jersey | **100%** | 100% |
| Inmarsat Finance plc | Finance company | Great Britain | **99.9%** | 99.9% |
| Inmarsat Global Limited | Satellite telecommunications | Great Britain | **100%** | 100% |
| Inmarsat Government Services Inc. | Service provider | USA | **100%** | 100% |
| Inmarsat Group Holdings Inc. [(b)] | Holding company | USA | **100%** | – |
| Inmarsat Hawaii Inc. | Service provider | USA | **100%** | 100% |
| Inmarsat Inc. | Service provider | USA | **100%** | 100% |
| Inmarsat Investments Limited | Holding company | Great Britain | **100%** | 100% |
| Inmarsat (IP) Company Limited | Intellectual property holding company | Great Britain | **100%** | 100% |
| Inmarsat Launch Company Limited | Satellite launch Company | Isle of Man | **100%** | 100% |
| Inmarsat Leasing Limited | Satellite leasing | Great Britain | **100%** | 100% |
| Inmarsat Leasing (Two) Limited | Satellite leasing | Great Britain | **100%** | 100% |
| Inmarsat Navigation Ventures Limited | Operating company | Great Britain | **100%** | 100% |
| Inmarsat Services Limited | Employment company | Great Britain | **100%** | 100% |
| Inmarsat Trustee Company Limited | Corporate trustee | Great Britain | **100%** | 100% |
| Inmarsat US Holdings 2 Inc. [(c)] | Holding company | USA | **100%** | – |
| Inmarsat US Holdings Inc. | Holding company | USA | **100%** | 100% |
| Inmarsat US Investments Limited [(d)] | Holding company | Great Britain | **100%** | – |
| Inmarsat US Services LLC [(e)] | Holding company | USA | **100%** | – |
| Inmarsat Ventures Limited | Holding company | Great Britain | **100%** | 100% |

### 30. Principal subsidiary undertakings continued

| | Principal activity | Country of incorporation and operation | Interest in issued ordinary share capital as at 31 December 2009 | 2008 |
|---|---|---|---|---|
| ISAT US Inc. [(f)] | Licence holder | USA | **100%** | – |
| PT ISAT | Management and business consulting services | Indonesia | **100%** | 100% |

(a) Hornet Acquisition, Inc. was incorporated on 12 November 2009 and was renamed Segovia, Inc. in January 2010.
(b) Inmarsat Group Holdings Inc. was incorporated on 9 December 2009.
(c) Inmarsat US Holdings 2 Inc. was incorporated on 9 December 2009.
(d) Inmarsat US Investments Limited was incorporated on 10 December 2009.
(e) Inmarsat US Services LLC was incorporated on 9 December 2009.
(f) ISAT US Inc. (formerly Inmarsat US Services Inc.) was incorporated on 17 November 2009.

### 31. Events after the Balance Sheet date

On 12 January 2010, the Group 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. The initial consideration was financed from available liquidity and it is expected that any contingent consideration will be financed using available liquidity at that time. For the year ended 31 December 2008, Segovia reported total revenues of US$66.6m and net income of US$18.1m and had gross assets of US$28.8m.

A second interim dividend for the 2009 financial year amounting to US$100.7m was declared on 22 March 2010 by the Directors to be paid to Inmarsat Holdings Limited in lieu of a final dividend. In accordance with IAS 37, these financial statements do not reflect this second interim dividend payable.

On 19 April 2010, Inmarsat plc announced that it has completed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement Inmarsat may borrow up to €225m and expects to make an initial draw down under the facility during the second quarter. The EIB financing will rank as senior secured creditor of Inmarsat Investments Limited, a direct subsidiary of Inmarsat Group Limited. The EIB financing will be rank pari passu with Inmarsat's Senior Credit Facility and ahead of Inmarsat's 9.375% Senior Notes due 2017.

Subsequent to 31 December 2009 other than the events discussed above there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

## Independent Auditors' Report to the Members of Inmarsat Group Limited

We have audited the financial statements of Inmarsat Group Limited for the year ended 31 December 2009 which comprise the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Other matter**

We have reported separately on the consolidated financial statements of Inmarsat Group Limited for the year ended 31 December 2009.

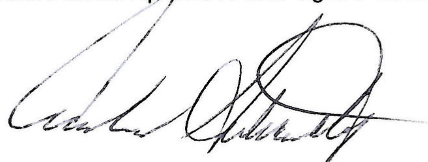
**Panos Kakoullis (FCA)**
**Senior Statutory Auditor**
for and on behalf of Deloitte LLP
**Chartered Accountants and Statutory Auditors**
London, United Kingdom
28 April 2010

## Company Balance Sheet

| | As at 31 December | | As at 1 January |
|---|---|---|---|
| | 2009 | 2008 | 2008 |
| | | (US$ in millions) | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments[(a)] | **346.8** | 346.6 | 346.6 |
| Other receivables[(b)] | **326.4** | 794.4 | 729.0 |
| | **673.2** | 1,141.0 | 1,075.6 |
| **Current assets** | | | |
| Trade and other receivables[(c)] | – | 0.2 | 0.2 |
| | – | 0.2 | 0.2 |
| **Total assets** | **673.2** | 1,141.2 | 1,075.8 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables[(d)] | **(0.1)** | (0.3) | (0.3) |
| | **(0.1)** | (0.3) | (0.3) |
| **Non-current liabilities** | | | |
| Borrowings[(e)] | **(326.4)** | (794.4) | (729.0) |
| | **(326.4)** | (794.4) | (729.0) |
| **Total liabilities** | **(326.5)** | (794.7) | (729.3) |
| **Net assets** | **346.7** | 346.5 | 346.5 |
| **Shareholders' equity** | | | |
| Ordinary shares | **0.4** | 0.4 | 0.4 |
| Share premium | **346.3** | 346.1 | 346.1 |
| Retained earnings | – | – | – |
| **Total equity** | **346.7** | 346.5 | 346.5 |

(a) Investments consist of a US$346.7m (2008: US$346.5m, 2007: US$346.5m) investment in Inmarsat Investments Limited and US$0.1m (2008: US$0.1m, 2007: US$0.1m) investment in Inmarsat Finance plc.
(b) Other receivables consist of US$326.4m amounts due from Group companies (2008: US$794.4m, 2007: US$729.0m).
(c) Trade and other receivables consists of US$nil amounts due from Group companies (2008: US$0.2m, 2007: US$0.2m).
(d) Trade and other payables consists of US$0.1m due to Group companies (2008: US$0.2m, 2007: US$0.2m) and US$nil in relation to other creditors (2008: US$0.1m, 2007: US$0.1m).
(e) Borrowings comprise the subordinated parent company loan (including accreted interest) of US$301.4m (2008: US$772.6m, 2007: US$729.0m) and other loans to Group companies of US$25.0m (2008: US$21.8m, 2007: US$nil).

The financial statements of Inmarsat Group Limited, registered number 4886115, on pages 50 to 54 were approved by the Board of Directors on 28 April 2010 and signed on its behalf by:



**Andrew Sukawaty**
Chairman and Chief Executive Officer

**Rick Medlock**
Chief Financial Officer

## Company Cash Flow Statement

| | Year ended 31 December | |
|---|---|---|
| | 2009 | 2008 |
| | (US$ in millions) | |
| **Cash flow from operating activities** | | |
| Cash generated from/(used in) operations | – | – |
| Interest received | **50.1** | **–** |
| **Net cash inflow/(outflow) from operating activities** | **50.1** | **–** |
| **Cash flow from investing activities** | | |
| Dividend received from Group companies | **144.9** | 159.6 |
| **Net cash from investing activities** | **144.9** | 159.6 |
| **Cash flow from financing activities** | | |
| Dividends paid to shareholders | **(144.9)** | (159.6) |
| Intercompany funding loan | **(465.6)** | 21.3 |
| Intercompany funding receivable | **465.6** | (21.3) |
| Interest paid on intercompany funding | **(50.1)** | **–** |
| **Net cash used in financing activities** | **(195.0)** | (159.6) |
| **Net decrease in cash and cash equivalents** | **–** | **–** |
| **Movement in cash and cash equivalents** | | |
| At beginning of year | **–** | **–** |
| Net decrease in cash and cash equivalents | **–** | **–** |
| **As reported on the Balance Sheet (net of bank overdrafts)** | **–** | **–** |
| **At end of year, comprising** | | |
| Cash at bank and in hand | **–** | **–** |
| | **–** | **–** |

## Company Statement of Changes in Equity

| | Ordinary share capital | Share premium account | Accumulated profit | Total |
|---|---|---|---|---|
| | (US$ in millions) | | | |
| Balance at 1 January 2008 | 0.4 | 346.1 | – | 346.5 |
| Profit for the year | – | – | 135.3 | 135.3 |
| Dividends payable | – | – | (135.3) | (135.3) |
| **Balance at 31 December 2008** | 0.4 | 346.1 | – | 346.5 |
| Issue of share capital | **–** | **0.2** | **–** | **0.2** |
| Profit for the year | **–** | **–** | **144.9** | **144.9** |
| Dividends payable | **–** | **–** | **(144.9)** | **(144.9)** |
| **Balance at 31 December 2009** | **0.4** | **346.3** | **–** | **346.7** |

## Notes to the Financial Statements

### Basis of accounting

During the 2009 financial year the Company converted from UK GAAP to International Financial Reporting Standards ("IFRS"). In the 2009 and 2008 financial statements the Directors have applied IFRS as adopted by the European Union.

The accounting policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 2 to the consolidated financial statements.

### Profit and loss account

The Company has taken advantage of the exemption available under section 408 of Companies Act 2006 and has not presented a profit and loss account. The profit after dividends for the year ended 31 December 2009 was US$nil (2008: US$nil).

### Auditors' remuneration

The Auditors' remuneration incurred for the audit of the Company amounting to US$10,000 (2008: US$10,000) was paid by a company within the Inmarsat Group. No recharge was made. Fees payable in the 2009 and 2008 were payable to Deloitte LLP, appointed as Inmarsat's group's auditors on 28 July 2006.

### Employee costs and Directors' remuneration

The Company does have any directly employed employees. Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

### Foreign currency translation

The functional and reporting currency of the Company is the US dollar as the majority of operational transactions are denominated in US dollars. Transactions not denominated in US dollars during the accounting period have been translated into US dollars at an average hedged rate of exchange. Fixed assets denominated in currencies other than the US dollar have been translated at the spot rates of exchange ruling at the dates of acquisition. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has purchased forward exchange contracts have been translated at the average hedged rates of exchange contained in those contracts. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has not purchased forward exchange contracts are translated at year end rates. Differences on exchange are dealt with in the profit and loss account.

The exchange rate between US dollars and Pounds Sterling as at 31 December 2009 was US$1.61/£1.00 (2008: US$1.44/£1.00, 2007: US$1.99/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2009 was US$1.56/£1.00 (2008: US$1.86/£1.00) and US$1.92/£1.00 (2008: US$2.01/£1.00) respectively.

### Cash generated from/(used in) operations

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities.

| | 2009 | 2008 |
|---|---|---|
| | (US$ in millions) | |
| Profit for the year | **144.9** | 159.6 |
| Adjustments for: | | |
| Interest payable | **45.9** | 44.1 |
| Interest receivable | **(45.9)** | (44.1) |
| Dividend receivable | **(144.9)** | (159.6) |
| Changes in net working capital: | | |
| (Increase)/decrease in trade and other receivables | **(0.6)** | 0.7 |
| Increase/(decrease) in trade and other payables | **0.6** | (0.7) |
| **Cash generated from/(used in) operations** | **–** | **–** |

**Reconciliation of profit and shareholders' equity under UK GAAP to IFRS for the 2008 financial year and as at 1 January and 31 December 2008**

There were no adjustments identified on conversion from UK GAAP to IFRS.

**Reconciliation of balance sheet under UK GAAP to IFRS as at 1 January 2008 (date of transition to IFRS):**

| | UK GAAP | Effect of transition | IFRS |
|---|---|---|---|
| | | (US$ in millions) | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 346.6 | – | 346.6 |
| Other receivables | 729.0 | – | 729.0 |
| | **1,075.6** | **–** | **1,075.6** |
| **Current assets** | | | |
| Trade and other receivables | 0.2 | – | 0.2 |
| | **0.2** | **–** | **0.2** |
| **Total assets** | **1,075.8** | **–** | **1,075.8** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | (0.3) | – | (0.3) |
| | **(0.3)** | **–** | **(0.3)** |
| **Non-current liabilities** | | | |
| Borrowings | (729.0) | – | (729.0) |
| | **(729.0)** | **–** | **(729.0)** |
| **Total liabilities** | **(729.3)** | **–** | **(729.3)** |
| **Net assets** | **346.5** | **–** | **346.5** |
| **Shareholders' equity** | | | |
| Ordinary shares | 0.4 | – | 0.4 |
| Share premium | 346.1 | – | 346.5 |
| **Total equity** | **346.5** | **–** | **1,075.6** |

UK GAAP numbers have been reclassified to conform to IFRS presentation.

**Reconciliation of balance sheet under UK GAAP to IFRS as at 31 December 2008**

| | UK GAAP | Effect of transition | IFRS |
|---|---|---|---|
| | | (US$ in millions) | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 346.6 | – | 346.6 |
| Other receivables | 794.4 | – | 794.4 |
| | **1,141.0** | **–** | **1,141.0** |
| **Current assets** | | | |
| Trade and other receivables | 0.2 | – | 0.2 |
| | **0.2** | **–** | **0.2** |
| **Total assets** | **1,141.2** | **–** | **1,141.2** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | (0.3) | – | (0.3) |
| | **(0.3)** | **–** | **(0.3)** |
| **Non-current liabilities** | | | |
| Borrowings | (794.4) | – | (794.4) |
| | **(794.4)** | **–** | **(794.4)** |
| **Total liabilities** | **(794.7)** | **–** | **(794.7)** |
| **Net assets** | **346.5** | **–** | **346.5** |
| **Shareholders' equity** | | | |
| Ordinary shares | 0.4 | – | 0.4 |
| Share premium | 346.1 | – | 346.1 |
| **Total equity** | **346.5** | **–** | **346.5** |

UK GAAP numbers have been reclassified to conform to IFRS presentation.