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**MANAGEMENT DISCUSSION SECTION**

Operator: Good day, ladies and gentlemen, and welcome to the Iridium First Quarter 2011 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Steve Kunszabo, Head of Investor Relations. Please go ahead.

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**Steve E. Kunszabo, Executive Director Investor Relations**

Good morning and thanks for joining us. I'd like to welcome you to our first quarter 2011 earnings call. Joining me on the call this morning, our CEO, Matt Desch and our CFO, Tom Fitzpatrick. Today's call will begin with a discussion of the 2011 first quarter results followed by Q&A. I trust you've had an opportunity to review this morning's earnings release, which is available on the Investor Relations section of Iridium's website.

Before I turn things over to Matt, I'd like to caution all participants that our call this morning may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts and include statements about our future expectations, plans and prospects. Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks, which could cause actual results to differ from the forward-looking statements. Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risks.

Any forward-looking statements represent our views only as of today and while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations or views change.

During the call, we will also be referring to certain non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with Generally Accepted Accounting Principles. Please refer to today's earning release and the Investor Relation section of our website for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

With that, let me turn things over to Matt.

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**Matthew J. Desch, Chief Executive Officer**

Thanks Steve and good morning everyone. Thanks for joining us. So, this morning we announced first quarter results that underscore our high-quality revenue profile. We've now posted double-digit year-over-year subscriber and operational EBITDA growth rates in every quarter since becoming a public company in 2009. These results are built on a foundation of competing an attractive vertical markets, operating a superior network and benefiting from a highly profitable recurring service revenue base.

We spend lots of time during the last few quarters discussing our business strategy, the key elements of our competitive environment and our plans for our next-generation constellation Iridium NEXT. These are all important topics for our customers, partners and shareholders, who like to understand the value of our company, but I wanted to take a step back today to outline who we are when you consider the big picture.

We are a global communications company that connects people with people and increasingly connects all the critical assets that are part of many industries, commercial ecosystems, or as many are like to say the Internet of things. Simply put, key industries around the world have come to rely on our solutions. Sure, we excel in environments like the recent tragedy in Japan, when many other communications network failed. But that's really a small part of our business.

It's important to us to be their supporting communities when no one else can, but we are really about making connections happen every single day. It's easy to lump us into the mobile satellite services or MSS space, and that's a reasonable place to start, but the similarity to our satellite peers ends with the fact that we all have albeit very different satellite networks.

We compete across the globe in multiple industries and markets with a rich portfolio of solutions for voice and data services and a robust partner ecosystem. Many of our MSS peers can't say the same. They are regional, sometimes compete in just a single vertical market, and have more narrow product sets. We think we are more like terrestrial wireless communications companies when you consider that strategic elements of our business, except that we don't really compete with terrestrial wireless players.

In fact, we complement them by extending their reach for customers beyond their cell towers. We also have very different technologies in ground-based towers; it's what allows us to provide a 100% global coverage. Connectivity is one of the single biggest driving forces in our daily lives. Our vision with the world's furthest reaching network is to connect people, assets, and organizations anywhere at any time.

We also have an increasingly data centric service and revenue profile. Consider these proved points from our first quarter results, 30% of our total billable subscribers were M2M data customers. And our M2M data revenue grew 60% year-over-year. And when you combine our M2M data and Iridium OpenPort data revenue, it grew 56% year-over-year. And our handset business continues to see a meaningful revenue contribution from circuit-switched data services.

Taken together, we are a global communications company with a rapidly diversified and recurring service revenue base and a largely fixed cost business model that supports robust cash flow growth. In our commercial business, we continue to outsell our closest competitor in the handset market by a wide margin based on the latest feedback we are getting from a large – from a number of large distributors in our partner channel.

The Iridium 9555 phone has been a market share leader for years, but we think there's a lot of innovation still possible to ensure our future success. We expect to launch our new phone soon as part of an overall handset portfolio strategy, and have even more products and the works along with others that some of our partners will bring to market.

As an example of innovation in the maritime sector, which has a significant addressable market of over 220,000 vessels, we've now operationalized our partnership for a worldwide network of maritime service centers, and launched the longest warranty in the industry for Iridium OpenPort ship based units. These key product enhancements have been well received by our partners and customers, and it's clear that we continue to capture market share in this important core business.

The M2M sector remains our fastest growing market with the recent Frost & Sullivan Report forecasting a compound annual growth rate of 18% for M2M devices in the next five years, up from approximately 2.5 million devices in use today. We are also piggybacking on rapid adoption in the terrestrial wireless data market where Intel recently suggested growth to 15 billion devices by 2015, up from 5 billion devices today.

If we capture just a fraction of this rapid growth, including devices that work within complement our terrestrial wireless peers, we expect we'll continue to post great results. And all this describes as a

service when you consider our technology licensing strategy, and consumer oriented applications such as personal location services.

Now turning to our government operation, we grew year-over-year revenue by 15% during the quarter picking up where we left up in 2010 as one of our best years ever in serving the U.S. Government. Our voice and data solutions improve situational awareness for soldiers and track critical assets in tough environments around the globe. Our most recent innovation Netted Iridium, which is a push-to-talk tactical radio service is quickly becoming a must have in the military's communication tool kit.

We now have approximately 6,000 Netted Iridium subscribers and announced \$13.4 million investments in March by the U.S. Government for further development and expansion of the service. These additional enhancements will support theater-wide deployments, command and control reporting modules, higher capacity and even faster call set up for the military personnel, who come to rely on us for daily operations.

We are also benefiting from the same encouraging trends on the M2M side as the government need to track and monitor a complex network of resources is quickly growing. We increased government M2M data subscribers 80%, and more than doubled our government M2M data revenues from a year ago period. We have a great group of value added partners, who is specializing government M2M applications around Iridium service and continue to expect strong progress when you consider the addressable markets that include the huge universe of aircraft vessels, vehicles, unattended sensors and other critical assets.

Moving finally to our Iridium NEXT in hosted payload progress, when we're together at our Analyst Day in December, we laid out a growing pipeline of potential hosted payload missions for our Iridium NEXT constellation. These opportunities included everything from weather and space to pre-monitoring to various government missions. We took an important first step with Orbital Sciences earlier this – in the year to begin building this business and I want to spend a minute today on one of the opportunities that's recently began gaining momentum, the global air traffic-monitoring mission. This mission is one we've really focused on recently because of its potential, and our unique capability to deliver the proposed service. It is a program that provides aircraft tracking services to air traffic control authorities and other regulatory bodies in a way that extends already planned terrestrial coverage over ocean routes, remote areas and developing nations.

Today, and even in the currently planned next-generation air traffic management environment, there are still large parts of the world where we all fly that have no radar coverage and where airplanes are still kept far part due to the lack of visibility and control. We think our hosted payloads system on Iridium NEXT could change all that dramatically. We've received a warm reception from the global air traffic management community and have developed a lot of momentum with this idea over the last few months. One reason that's very interesting is that we believe our Iridium's InterLink global coverage from low Earth orbit is the only way to provide this service.

There is unlikely to be anything else in the foreseeable future that can carry the next-gen traffic monitoring receivers and provide such a dramatic extension in safety, capacity, fuel savings and system flexibility at such a low-cost in the system we're proposing. The hosted payload sensors were considering, don't use up all the weight and power we budgeted on our spacecraft, leaving room for additional payloads from other customers if we go this route. Despite the progress we're making on this opportunity, there is still a lot of work to be done, and we're also working on other promising alternative payloads at the same time.

We expect to update you on the air traffic monitoring mission and perhaps others in the near future. And as we discussed in the past, anticipate announcing hosted payload deals in the next 12 to 18 months. So on closing, we are a global communications company that continues to execute well

quarter-after-quarter and year-after-year. We compete in attractive and growing markets, and have a sustainable competitive advantage in our network leadership.

Our service revenue base continues to grow and represents 67% of our total revenue in the first quarter. All this leads to operating margin expansion and cash flow growth. I look forward to continue strong executional momentum during the rest of 2011.

With that, I'll turn it over to Tom for more detailed financial review.

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**Thomas J. Fitzpatrick, Chief Financial Officer**

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Thanks, Matt and good morning to everyone. As Matt discussed, Iridium reported strong first quarter financial results that reflect our ability to grow cash flow by sticking to the fundamentals of a proven strategy. That is, we operate in attractive and growing markets with favorable competitive dynamics and high barriers to entry. We benefit from sustainable competitive advantages, owing to our network leadership and a fully funded plan for Iridium NEXT.

We benefit from a large low-cost and growing ecosystem of partners, robust product portfolio in a large highly profitable recurring service revenue base. As our recurring service revenue base continues to grow, we expect our operating margins will expand, it will leverage created by our largely fixed cost business model. Before I take you through our financial results, I'd like to put in perspective our planned warrant tender offer, which we also announced this morning.

By way of background, we have two tranches of warrants that are a legacy at a SPAC transaction that brought Iridium public. We have a \$7 tranche with approximately 14 million warrants outstanding, and \$11.50 tranche with approximately 14 million warrants outstanding. This represents 28 million in total before giving effect to the transactions involving \$11.50 or Z warrants we announced last week. These Z warrants are the subject of our planned tender offer.

The private transactions announced last week retired about 8 million of the \$11.50 warrants. In addition, Greenhill has informed us that they plan to accept the terms of the tender offer, and they own approximately 4 million warrants. That leaves a balance of approximately 2 million Z warrants that will remain available for the tender offer. The \$7 or W warrants are unaffected by these transactions. This warrant exchange will simplify our capital structure and significantly reduces potential future dilution to shareholders.

As a reminder, our fully funded plan for the construction of iridium NEXT, which was developed in coordination with the COFACE lenders is part of our financing last year, does not rely on warrant proceeds and this warrant exchange transaction is being undertaken with the support of the COFACE lenders. Iridium reported first quarter total revenue of \$91.3 million and robust operational EBITDA of \$43.1 million yielding growth of 12% and 29% respectively from last year's comparable period. Our operational EBITDA margin was 47% for the first quarter, an expansion from 41% in the year ago period.

First quarter net income was \$8.3 million, this compares to a net loss of \$1.3 million for last year's first quarter. From an operating viewpoint, we generated commercial service revenue of \$45.3 million in the first quarter, representing a 11% year-over-year growth. We added 17,000 net commercial customers during the quarter for a total of 401,000 billable subscribers with approximately 11,000 of these net additions coming from the M2M business. Commercial M2M data subscribers now represent 31% of billable commercial subscribers, an increase from 23% during last year's comparable period.

As we have noted in the past, our revenue quality and diversity comes from having a number one or fast-growing number two position in serving multiple core markets. And when you consider that we more than tripled our mobile satellite services market shares since 2001 and expect the

compound annual growth rate of 10% for the industry to 2015, we are confident that we'll continue to generate consistent recurring revenue streams and cash flow. It's also worth emphasizing our strong competitive footing in the M2M market, a sector that's expected to have a compound annual growth rate of 14% for revenue through 2015.

Simply put, we have a significant network advantage when you consider performance metrics such as coverage, latency and throughput and with the quick ramp of our Iridium 9602 SBD transceiver, we've lowered the cost of access allowing our partners to develop new applications across a variety of markets.

Moving now to our government service business, during the first quarter we recovered – we recorded government service revenue of \$15.9 million, up 15% on the year ago period. We added 3,000 new government customers during the quarter for a total of 46,000 billable subscribers with M2M data subscribers growing 80% year-over-year and now accounted for 20% of the installed base. Our government businesses is off to a great start in 2011 posting the third consecutive quarter of mid-teen service revenue growth compared to a historical average closer to 6%.

As Matt noted, we've developed in the last several years from being a niche supplier of products to an integral element of the U.S. Government communications infrastructure. Just like in our commercial business, we have a robust partner channel. U.S. Government customer continues to make significant investments in devices and in their dedicated gateway as well as innovative capabilities such as Netted Iridium. This allows us to provide a unique value proposition for them that is not easily duplicated.

And with Netted Iridium, we envisioned an operating environment where software based Iridium radio channel is built into the tens of thousands of tactical radios that are already deployed across the military's communications network. While our subscriber growth for Netted Iridium was solid in the first quarter, we expect our net additions for this service to be skewed towards the second half of the year as the U.S. Government recalibrate its provisioning and support infrastructure.

Focusing next on equipment, which produced revenue of \$24.4 million, a 12% year-over-year gain resulting from strong M2M and handset unit sales. M2M unit sales grew 134% from the year ago period due to rapid adoption of the smaller and lower cost Iridium 9602 transceiver, while handset unit sales increased 39% despite increased competition during the last four quarters. As we discussed during past quarters, these are strong results on their own for an equipment revenue stream and enjoyed better than 40% gross margins.

We're also pleased by our prospects for translating these equipment sales into subscriber growth that brings us even more profitable recurring service revenue. Higher margin service revenue drives cash flow and will continue to make sound decision to achieve that objective. When we initially formulated our outlook for 2011, we considered that we will be selling the Iridium 9602 M2M device for about half the price we were selling its predecessor. We expected higher unit sales for the new device but that our M2M equipment revenue will be down in 2011 because of the lower price.

Our view had meaningfully changed due to significant sales volumes, and we now expect year-over-year growth in M2M equipment revenue. Our favorable adjustment to total equipment revenue guidance reflects this positive development. In addition, we now expect to sell more handsets at a higher average price than we anticipated when we first share our 2011 outlook with you back in December.

Moving now to our financial and operating outlook for 2011, which we reaffirmed in key areas this morning and favorably adjusted for equipment revenue as a result of the strong unit sales in the first several months of 2011 I just discussed. We continue to expect operational EBITDA between

\$180 million and \$190 million for the full-year 2011, which at the midpoint of the guidance range would be 16% growth when compared to the \$159 million we achieved in 2010.

On the same basis for the full year 2011, we now project an equipment revenue decline of between 5% and 15%, which has improved from an equipment revenue decline of between 15% and 30% in our initial guidance. We also reaffirmed our 2011 outlook for subscriber and service revenue growth.

And finally, updating our capital structure and liquidity position, as of the end of the first quarter, we drew \$174.7 million from the COFACE facility and had a cash and equivalent balance of approximately \$103.9 million. We also announced last week that we paid the \$22.2 million remaining principal amount of our note with Motorola, which was in due until December of 2011. This prepayment will result in approximately \$1.6 million of interest savings in 2011.

And with that, I will turn things back to the operator for the Q&A portion of this morning's call.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] Our first question comes from Jonathan Atkin of RBC Capital Markets. Please go ahead. If you can you hear me, Jonathan, your line is open.

**<Q – Jonathan Atkin>**: Yes, I had a question about the M2M segment, if you could just talk a little bit about the geographic mix, particular applications and how you expect that to maybe trend overtime and who do you view as your primary competition in this space?

**<A – Matthew Desch>**: Yeah, Jon good morning. First of all, it's – we are very geographically diverse. We look at where the M2M units are showing up in the world. I mean they are really truly show up every part of the world and you know extremely wide variety of applications from maritime applications on buoys and tsunami warning devices and ships and tracking assets going across the oceans to tracking aircraft, to tracking assets which travel across land, to tracking oil and gas pipelines and machines like wind towers and all kinds of devices, applications, assets that are in remote territory or travel through remote territory frankly maybe even have any terrestrial device on them at all.

So, we don't notice a necessarily geographical split. I would say a majority of the companies, who are developing applications and they are quite a number of them who embed them into their solutions are North American and European focused, so increasingly seen Asian and South American and other companies, who are tailoring devices for their applications like ones perhaps in Brazil and other places or in Africa and a number of places around Asia, growth in Vietnam and some places like that.

So, it's really a very geographically diverse business, not just the commercial side, that's not even included in the government M2M business. So, I think the trends are going to continue to stay that way, we continued to expand the partner base in specific areas. I think the one of the most important recent expansions is in the personal locator beacon space, which are more consumer oriented like companies. Most of those are North American and European companies, but again they sell to consumers their products all over the world. So it's quite geographically diverse.

**<Q – Jonathan Atkin>**: And then with respect to hitting their higher revenue guidance for equipment, are there particular segments or again geographies that are driving the higher expectations for both units and pricing?

**<A – Thomas Fitzpatrick>**: Not geographies, I mean, as I said in my prepared remarks, the single biggest factor is the strength in the 9602 device but that their price of that is roughly half of its predecessor, the 9601. And so, when we formulated our initial guidance, we thought that the unit volumes would be up but not enough to offset the lower selling price. In fact they are up more than to offset the lower selling price, and we expect growth in the machine-to-machine segment now here our revised guidance. Additionally, we think we're going to sell more handsets at a higher effective selling price than we had estimated in our original guidance. So, here are the drivers Jon.

**<Q – Jonathan Atkin>**: And then on the engineering side, if you could maybe just provide an update on just to help with the constellation, I think the interest that you are seeing in the secondary payload space probably speaks to continue strength there. But anything different that you are seeing compared to 3, 6 months ago?

**<A – Matthew Desch>**: No. Our network continues to perform well. I said we have still seven spares in-orbits that – and still in fact every quarter brings less time between the time when we'll be launching new satellite. And so, we fully expect that constellation be healthy and providing a high quality of service. I think you remember we updated investors in December with our new radiation study that shows that that wasn't really going to be a concern.

We didn't expect it to be, but we've now tested and feel comfortable is that it is absolutely not going to be an issue. So we're really just down to wear-out mechanisms that are well understood, and for which we have plenty of redundancies and other things to accommodate. So we're feeling very comfortable and confident about the very high-quality of service our network will perform until we're launching new satellites. And probably actually well into our – I think well into the launch and deployment really of next, I think our systems are going to perform very well.

<Q – Jonathan Atkin>: Great. Thank you. I'll get back in the queue.

<A – Matthew Desch>: Thanks Jon.

Operator: Our next question comes from Chris Quilty of Raymond James. Please go ahead.

<Q – Chris Quilty>: Good morning, gentlemen. Congratulations on the results.

<A – Matthew Desch>: Thanks Chris.

<Q – Chris Quilty>: Question for you on the 9555 voice handset the unit shipments there. I think you said 42% or 49% in the quarter would seem to imply that you should see the service revenues begin to pickup in later quarters as those units get activated. Is that a fair assumption? And the second part of the question, I think you said in your script that you are now expecting the pricing on those handsets for the voice business in whole to be higher than your original expectation, is that an indication that you have backed off potential pricing – the price cuts that you had planned for?

<A – Matthew Desch>: Let me try. I'll try and Tom, you can pick up on both. On the first question, it was around the 9555 usage and everything and of course obviously additional units than expected at service revenues I don't know whether I would want to go so far as to describe a pickup or some sort of expectations for this number of other variables including usage and that sort of thing and patterns and what not that affect that, that certainly isn't in our model. I think all of our expectations are in the guidance that we've given out for the year in terms of service revenues and others.

But and I think that's all sort of loaded in there. I think more importantly to sort of your second question, what does this mean? Obviously I think it demonstrates that the competitive environment, which is changing that we recognized that and frankly we've been saying we have been preparing for quite a while isn't quite turning out as probably maybe our conservative approach on a conservative estimations expected it to.

The new phone that Inmarsat has is obviously selling out there, but it's selling I think to a completely different kind of customer base than we have right now. And customers who expect a high-quality global experience are still very attracted to our phones at prices now. We had lowered our prices for the year, but we had expected and given our sales room to even lower them further if necessary, and don't really think that that's necessary or appropriate at this time to do that.

So I think that's still what Tom's comment was about. We are selling little higher than even our expectations were, and we are selling more than our expectations were because of continued good demand for the product. I think it speaks well of our long track record and market leadership in this area. And as I said, we're not leaving it at that either. I mean we obviously have new products coming, in fact, a variety of new products coming in the future, and think we can cover a number of different price points and service points, if you will, in the industry for a number of customers.

<Q – Chris Quilty>: Great. And the OpenPort didn't really hear much of an update, can you give us an idea of how that's – both sales are trending as well as usage patterns?

**<A – Matthew Desch>**: OpenPort continues to grow. That's, I think as everyone knows, was the new product for us two, three years ago in a new segment that we hadn't been into. And we continue to grow sales and activations literally month by month, week by week, and continue to be pretty consistent ARPUs really, too, in that sort of 450 to 500 kind of range, which is what we've always been sort of hoping and expecting that kind of product would deliver, which is significantly above other products in our portfolio.

So we're very pleased with the progress of OpenPort. Our customers continue to see the advantages to it in terms of coverage, in terms of the additional voice lines it provides, its cost-effectiveness for many vessels. And so, we have additional plans for that product area in the future, too. We talked about some that we have – we've implemented already like the service network, and the warranty and other things, which I think continue to be received well, but overall we are very pleased with the progress of OpenPort.

**<Q – Chris Quilty>**: And do you still expect to see aeronautical versions of that antenna being put into service this year?

**<A – Matthew Desch>**: Yes. And those are in testing now, and we continue to see a number of applications and services and business opportunities emerging on a variety of different areas there. And I think that is an area we'll be talking more about in the future.

**<Q – Chris Quilty>**: Okay. And with regard to the M2M business, again, are you seeing any indications of particularly large deployments that might happen in the future, either thousands or tens of thousands of units that are in trial or testing?

**<A – Matthew Desch>**: I mean, yes. There are a number of different very significant opportunities that we are tracking and for which we know our partners are pursuing or have told us about and are involved in. Obviously some of those are reflected in the good numbers that I think we're posting already even in this quarter and for – and our expectations, as I think Tom described, for equipment sales and expectations on service revenue and revenue growth for the year.

So, I think they're in there. There are some big ones that could be out there. I think we're getting into more of a consumer type space. I think in the future, and you know that that could drive higher numbers. We are also, I think the area like that personal locator beacon or messaging space with lower costs and wider distributions could generate bigger numbers. But we're hearing a wide variety of applications that are larger than ones we've traditionally seen in the last couple of years.

**<Q – Chris Quilty>**: And on that final point, have you seen any broadening of partners that are looking at a chipset based solution beyond – I think you've said so far you got one customer working on something?

**<A – Matthew Desch>**: We are in discussions with others right now about that right now. Have not anything to announce or discuss, but there is certainly interest, not just in chipsets, but in waveform as well, which is something we are also considering for probably not as much on machine to machine, but certainly in higher cost applications like Netted and voice, you could see a software defined radio kind of solution that could maybe not even require chips from us, but could require more our waveform if you will to be embedded in their devices.

So that's our strategy is to be able to enable people to deploy an Iridium connection anywhere in the world. It's great if we sell the modular device to support it, but we are glad and certainly open to supporting any level of technology development that enables a partner to cost effectively put our solutions in the market.

**<Q – Chris Quilty>**: And the government M2M was up pretty significantly. Is there a specific government program that has been funded or a certain application, or is that again just broadbase sales?

**<A – Matthew Desch>**: No, that is an area where there is significant numbers potential in the future from your previous question. But really I think the numbers are really growing because a lot of the partners who are working on products to a year or two ago took time to really get the market to test their solutions completely to get certified with their customer and to start the deployment. I just think we're seeing a wide variety of applications at a number of different areas that are starting to hit at the same time. So it's – that's kind of the life cycle development model. There is interest, the partner comes to pass, they sell the solution, we sell them devices, they embed it, they spend R&D and certify it, then they deploy it. And we're starting to hit that sort of deployment cycle I think for a number of different opportunities that we've heard of.

Operator: Our next question comes from Glenn Tongue of T2. Please go ahead.

**<Q – Glenn Tongue>**: Good morning. Thanks for yet another terrific quarter and for such an effective way of removing the 11.5 overhang; that's really terrific. Matt, I see such strong earnings and sort of powerful metrics in the first quarter. And you haven't changed your guidance for the year at all. So I got to conclude either you're getting more conservative from that or something else. Which is it?

**<A – Matthew Desch>**: I won't say we are getting more conservative. I would say we remain conservative. I wouldn't say we are aggressive because we continued to want to outperform or at least perform on our expectations and potentially outperform. We're giving a wide variety of information at it I think more than most companies do, a lot of companies just focus on one metric perhaps EBITDA guidance or maybe just subscribers.

And we're giving other aspects of our business and they interact in interesting ways that it's sort of hard to describe completely. One aspect obviously in this case is that our equipment sales are going to be few less down than before. But our margins on equipment are lower anyway so it doesn't have quite the overall impact. And it still yet to be seen exactly how the service revenue numbers at what point in those range we believe will end up being. So I think it's appropriate this time to put the guidance out that we have. I think it's right guidance, it's guidance we can stand behind for the year.

**<Q – Glenn Tongue>**: And just to drill down a little bit more on the Inmarsat phone, you talked about that and I guess Chris's question, but a key color in the bare thesis was in Inmarsat taking material equipment share from the Iridium user. Do you see share decline, you talked about the difference in the Iridium customer experience versus the Inmarsat. Do you really see any market share aversion to your core customer losing customers that are switching?

**<A – Matthew Desch>**: No, frankly we don't. I mean I have to be honest with you. We don't foresee it nor do we really hear from our key partners who sell both of our products in the space. I think there has been a market what I would call, there is no specific term for the MSS space but the low end of the handset business and I think they have gotten in that space that's probably the space in which was already occupied by Thuraya and Globalstar and perhaps they are losing share.

I don't know. I don't have visibility to their business. But frankly, we don't see the impact right now because there is a lot of, obviously word out there about their relative performance of the product. And I think you just got to look at financial performance more than that. And I think our results speak for themselves right now in terms of what's happening. So I feel very good about where we are at and what we are doing. I think the numbers speak for that.

<Q – Glenn Tongue>: Yeah, I agree with you. I think the results just speak to themselves. So thanks.

<A – Matthew Desch>: Thanks Glenn.

Operator: [Operator Instructions] Our next question comes from Chris King of Stifel Nicolaus. Please go ahead.

<Q – Christopher King>: Hi, good morning, guys. Two quick questions for you, I guess. One just I guess, just kind of following up on Chris's question to a certain extent related to equipment revenues and obvious strength there. Just I was wondering if you're seeing significant upside and perhaps upselling to existing customers moving from the 9601 to the 9602 type of thing? Obviously you mentioned significant growth rates in kind of M2M unit sales, I think 134% kind of year-over-year.

I guess that would imply some upselling to existing customers. Just I was wondering how that was tending related to the expectations that you had at the beginning of the year? And second question I guess, kind of more of a housekeeping issue. The NEXT expenses in the quarter look to be up, I guess about a million dollars or so subsequently. Just I was wondering, how we should think about kind of trending that going forward throughout the remainder of the year?

<A – Matthew Desch>: I leave the second one to Tom. The first one, that isn't the way really the M2M business works. It isn't a transfer from one device to the other, because the 9601 is a perfectly good device that performs extremely well. And when it gets put into a device in a remote environment, it's going to work for many years and perform good service. I think what you're seeing though I mean, in terms of this is that the new device, which is quite a bit smaller and less expensive, and is very attractive to customers, is that they didn't move to it, because it cost them less money to buy, which means that they can charge less for their products, which means that they are more attractive to their customers and so, that all flows back through basically more demand and more volume in terms of kind of the applications.

We might be addressing certain applications we couldn't have seen our partners go after before where they were using perhaps low-cost alternatives that came from other customers. And I think that was the question I realized I didn't completely answer from John. I mean, who is our biggest competitor in the space, I'd say, originally Inmarsat was in this space. But frankly, the real players in the last couple of years have primarily been Orcom, ourselves, and to some extent Globalstar too in their simplex business. So they are one-way product.

I see right now that we believe we have the most momentum, our performance, our cost structure, the two way nature that really all the attributes our partners are telling that were kinds of the premium product, but we don't necessarily have a premium cost anymore. I think that's all going into the fact that, if you're looking to expand your solutions that beyond a terrestrial type M2M solution into satellite, you're probably going to be looked at it up, probably more than others. But I still think there is a lot of room in this market for other players, it's not like we're constantly run into the same people in the same bids. I think there is growth in other people's areas too, because it is such a big expanding market that we just happen to be very well positioned there. And I will let Tom answer the NEXT expense question.

<A – Thomas Fitzpatrick>: Right, so if you look at the year-over-year quarters, net NEXT expenses were \$3.3 million in the 2010 quarter and they are \$6.2 million colored in the 2011 quarter. Substantially all of that increase relates to the undrawn fee on the COFACE facility, it's 0.008% of the undrawn facility per year is the fee, and that works out to about \$3 million in the quarter.

<Q – Christopher King>: So that the \$6.2 million is a decent number to use kind of going forward for the remaining -

<A – Thomas Fitzpatrick>: I think, that's a decent run rate, yeah.

<Q – Christopher King>: Okay. Thanks.

<A – Matthew Desch>: Thanks, Chris.

Operator: Our next question comes from Jeff Matthews of RAM Partners. Please go ahead.

<Q – Jeffrey Matthews>: Hi. Thanks very much. Two questions, you talk about applications being developed for the 9602, could you give some specific examples of new applications? And then secondly, on the container ship market, are companies developing applications specifically for the containers themselves, because that's where – which seem to be the mother load is? Thanks very much.

<A – Matthew Desch>: Yeah, thanks Jeff. Yeah, it's a couple – it's a very diverse market with lots and lots of applications, so it's easy when you are going to say its the X product and everybody knows what X is and they can sort of think about that but in this case I bet there is a hundreds potentially a solutions out there. But we do see in – as far as new applications for we've seen get into what I would call more of a communicator kind of space. I hate to use the word Blackberry, but think about it as a very powerful two-way kind of messaging device with GPS to allow police, military individuals to find themselves and to contact and interact with others, doing things and that's a much more broader market.

Particularly, if you're talking about something that might cost hundreds of dollars instead of thousands of dollars, I think that's one of the broadest ones. But I can tell you a lot of the existing applications, whether it's a buoy in the ocean or a truck tracking application for trucker, monitoring or whatever it might be, those of all benefited and are expanding really because their solutions now are less expensive and so they can sell more of them and expand their business to it. That's how you describe it any other way than that.

I'm always surprised, sometimes I don't even know what our products being used into, because it's a module, and really frankly one of the great parts of our business model. We don't have to understand the every aspect of the end partner's customer base, what their certification R&D sales requirements are, if they are doing a lot of that work. And then they tell us about it and sometimes we are finding out about them after they've already been developed and become very successful. I think that was your first question, and the second one was -

<Q – Jeffrey Matthews>: Right. Containers themselves was the first one.

<A – Matthew Desch>: Yeah. There are a couple of container partners in that space. Name of company, Cubic Tracking System is one, I think there is a couple others that are – have deployed the 96 or deploying the 9602 in their application. I agree that the high-volume application, particularly for valuable assets, I've seen it on refrigerated containers, those are quite important to be tracking on our ongoing business, because you lose the refrigerator – you may lose the whole pallet. And it's important to keep track of it.

I know we also see it in military logistic systems for tracking containers in that case. We're seeing some regulations in this area, potential regulations in this area where it's not enough to just have a manifest and say what the ship is containing when it comes into port. But you'd like to be able to track it across the ocean to see if anyone opened the container and to be able to report on that real time and monitor, some partners are offering those kinds of services. So..

<Q – Jeffrey Matthews>: Okay.

<A – Matthew Desch>: So if there is one aspect of that was price. Those are very price sensitive markets. So there are hundreds of thousands of not millions of these containers. And to think you could put it on everyone, you really really want to get that low cost. So ...

<Q – Jeffrey Matthews>: All right.

<A – Matthew Desch>: I think the 9602 is starting to get into that price category. But it may not be there. It's certainly is there for valuable applications, and if somebody came along in high enough volumes, it might be there, but it's probably – I think that, that will continue to become a good market for us going over, especially as solutions get less and less expensive.

<Q – Jeffrey Matthews>: Okay, great. Is my understanding is, that these guys have no idea where the containers actually have been and if where they are until they actually go through a gate and..

<A – Matthew Desch>: But you're right.

<Q – Jeffrey Matthews>: And from a security point of view, they will be terrifically helpful. But ...okay. Thanks.

<A – Matthew Desch>: Securities become an even more important over the years, that's becoming more valuable. And there is a lot of other things that there is a lot of I mean, generators, power generators, whether it was in Japan recently or in Haiti. Katrina was a good example where literally thousands, if not tens of thousands of power generators get put in the market, and then somehow go missing and nobody ever finds them again or can't figure out where they are to even fill them with fuel, because people move them around. And that's just another idea of an application that people are develop solutions for. They are doing the same thing for trains and trucks and lots of other things. So we're starting to see potential applications in the high-end vehicles for airbag deployments, and if you will, satellite OnStar capabilities, et cetera. So it's just an awful lot of applications.

<Q – Jeffrey Matthews>: Okay. And I guess in sum, have you been somewhat surprised at the price elasticity?

<A – Matthew Desch>: You mean in terms of the 9602 being less cost and therefore driving more applications?

<Q – Jeffrey Matthews>: Right.

<A – Matthew Desch>: Not really, we knew that over the previous years, that we were not winning things, because even though we had a premium service experience and our customers liked that they would work anywhere and was two-way, they just couldn't afford – didn't like the price of the 9601, and we know our price of our 9602. That's one of the reasons we invested so much in it, was going to be attractive. So I guess that wasn't a complete surprise. What we don't know is exactly how many people, how fast would be attracted to it. And so, I guess we're pleased if anything if not, if maybe a little surprised by sort of the volume increases that we've seen in it.

<Q – Jeffrey Matthews>: Got it. Thanks very much.

<A – Matthew Desch>: Thanks, Jeff.

Operator: Our next question comes from Amy Yong of Macquarie. Please go ahead.

**<Q – Amy Yong>**: Hi, thanks for taking my question. Just turning a little bit on the handset side, are there any particular areas where you're seeing strengths either in markets where your handsets are considered mission critical or maybe in recreation? Then also can you talk about any trends you're seeing April and a little bit of May, given the seasonal strength? Thanks.

**<A – Matthew Desch>**: Well, so I can tell, it's hard to exactly see that because there is a wholesaler we go through a wide variety of distributors, retail distributors that are more tell us anecdotally. So it's not so much that we have that end-to-end exact view. But we do hear and understand from them that, a lot of the – I mean, what we call mission critical, a lot of the people will use that satellite handset in the world. Think of themselves probably even more mission critical than we think of them.

I mean, if you are going to be a remote place, you don't want to wonder if you're going to be in a coverage area, if it's going to work, because it may be a hazardous, remote site. So I think you find a general proclivity, I think towards people who are attracted to satellite voice and data solutions to go for quality. And if given a choice, they're going to – I think they are going to be attracted to something they are absolutely sure is going to work, not something that works pretty well.

That's shown up in the numbers, I think it's – I don't know if I can describe a specific market set. Certainly first responders are going to think that way. I know they're going to – they are attracted to low price if they can get it. But I think that they'd be quite embarrassed if a natural disaster occurred or some reason where they really need to depend upon that phone and found that it wasn't as usable or required a lot of effort to be as good as it was.

So I'd say that's more, and then I don't think we really should go any further than what we've talked about. Overall, I will say though that there is seasonality in our business. Certainly a second or third quarters are higher volumes typically than the first and fourth quarters mainly because I think we our traffic, while global, is slightly more skewed to the Northern hemisphere, and so you start seeing fishing vessels and more people outside. And so I think you'll see there is a seasonality, I think a lot of people have modeled that in. Hope you have, but and by the way, thanks and congratulations on your new report, I certainly appreciate it. But I think that's probably all I think we can say about that right now.

**<Q – Amy Yong>**: Okay.

**<A – Matthew Desch>**: Thanks, Amy.

Operator: Our next question is a follow-up from Jonathan Atkin of RBC capital markets. Please go ahead.

**<Q – Jonathan Atkin>**: Yes. Thanks. I wondered if you could maybe update us on the exposure of your business to kind of one-off global events either for 1Q or since that? How do we kind of think about the magnitude of that? Is it kind of material?

**<A – Matthew Desch>**: Give me the example of one-off kind of events you're talking about.

**<Q – Jonathan Atkin>**: Japan, Libya, that sort of thing?

**<A – Matthew Desch>**: I give you good things. Usually that question could be interpreted other ways. No, obviously, Japan had a positive impact on us in the first quarter, but I would say it was not an overwhelming effect. We are getting large enough now that any specific disaster ends up, I mean, I do believe for the first week or two, we were absolutely critical in Japan and were used extensively, and you can see that in our traffic numbers. Over time, though, people get terrestrial systems back online or perhaps other systems like VSAT or something come in and possibly provide a little longer-term solution.

So I think, it was positive. I don't believe it was that dramatic. I think, our increases, for example, in our equipment sales weren't that dependent upon that. So I think we did see a bump there, and in that case our partner KDDI, which is a – I think we are pretty well prepared to have a lots of phones. They needed more, we provided them. They had used us, by the way, not just for voice phones, but for other things, tracking helicopters, fire and rescue. Of course we were used in Tsunami buoys, so there is a lot more things we were participating and supporting this time around than I think in previous years, where it was really about SAT phones.

But again, we've moved on, I'm sure we're probably in use right now as floods are occurring in North America. I'm sure we're being used around the world, but there seems to be something happening all the time. And I think it's just an ongoing business. If anything, I can't tell you how many people called up and said well, I think I need some kind of satellite solution after Japan because I think it was a eye opener again for the world that even in very matured places with that are well prepared for disasters, disasters happen and they happen on a regular basis. And so that's why you need to complement through the threshold infrastructure.

<Q – Jonathan Atkin>: Great. Thanks a lot.

<A – Matthew Desch>: Thanks Jon.

Operator: Our next question is a follow-up from Chris Quilty of Raymond James. Please go ahead.

<Q – Chris Quilty>: Thanks. A follow-up on the government part of the business. It looks like you had a small number of DTCS or Netted Iridium sales in the quarter. But is it fair to assume we shouldn't see significant numbers shipping into the back half of the year after the Phase 3 contract is completed?

<A – Matthew Desch>: Yeah, it's actually not say three related as much as it is our customer telling us that there is a lot of demand out in the field for. So they had to satisfy that demand earlier. But they hadn't completely got all their systems in place to support it in a way that they would like training systems and service and support and those kinds of systems that are traditional for a core business. Let's feel that initially almost as an experiment and then realize what demand there was for and the interest involves in it from across the three in fact we've heard its not just been used in places like Afghanistan, but it was used and its been used in Alaska, it's been used in Japan, that's been used in a lot of different places.

And so I think there is a wide demand, but there is really been a slowdown where the systems are kind of placed. So I think it's those Phase 2 systems are the current systems will continue to deploy over the next year. But I think it's more of a second-half deployment according to the customer on their schedule. And then I think more Phase 3 happens more next year. I think is when that probably starts coming to pass and I think that will even generate even higher levels of interest. But there is – there is an up demand I think keep driving some more additional Phase 2 sales if you will until evolves even further into Phase 3.

<Q – Chris Quilty>: Okay. And on the air traffic control, hosted payload opportunity. Do you have a sense at this point of what the financial structure of that would look like as I understand that it's not going to be in FAA or government funded effort, it would have to be funded by yourself for other companies. So does it still allow for the sort of upfront cash payments that you've been looking for in a hosted payload program? And what do you see as sort of the longer-term ramifications revenue opportunities from that type of a system is deployed?

<A – Matthew Desch>: I don't – we do have an idea, we have a strategy on how to do that, we're working that extensively with partners and advisors and many others about how do to that. And while it maybe different than maybe we had contemplated in the past, other kinds of payloads that

we're also still working that might be more directly government funded. I don't know that it would necessarily change our overall expectations for pre-NEXT launch revenues or post NEXT kind of revenues.

I think, overall we see maybe structures in that sort of deal that is – that is still consistent, even though it might be a slightly different financial structure or contracting process or whatever. But I don't know that it's appropriate to go into whole lot more detail, because we're really still in the midst and through of that, and certainly we'll tell you more as we have it, or is that becomes a payload that we deploy.

**<Q – Chris Quilty>**: Okay. And quick questions for Tom, the Motorola payment, that's not reflected in the current balance sheet as?

**<A – Thomas Fitzpatrick>**: No. We just did it last week, Chris.

**<Q – Chris Quilty>**: And so, where does that come out of, what line item?

**<A>**: Payable.

**<A – Thomas Fitzpatrick>**: Notes payable.

**<Q – Chris Quilty>**: Okay. And you had a little bit of a jump in other assets, was there anything in particular in there?

**<A – Thomas Fitzpatrick>**: That's a debt service reserve account.

**<Q – Chris Quilty>**: Okay. That's it from me. Thanks, guys.

**<A – Thomas Fitzpatrick>**: Thanks. Chris.

Operator: I'm showing no further questions at this time. And I would like to turn the call back over to Matt for any closing remarks.

#### Matthew J. Desch, Chief Executive Officer

Well, thanks. Those are great questions, I think that was a great call. I really appreciate everyone joining us for this, and we look forward to seeing in the next quarter or before. Thanks everybody for joining us.

Operator: Ladies and gentlemen, this does conclude today's conference. You may all disconnect and have a wonderful day.

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