

## — PARTICIPANTS

### Corporate Participants

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**Steve E. Kunszabo** – Head-Investor Relations  
**Matthew J. Desch** – Chief Executive Officer & Director  
**Thomas J. Fitzpatrick** – Chief Financial Officer

### Other Participants

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**Jonathan Atkin** – Analyst, RBC Capital Markets  
**Brian W. Rutenbur** – Managing Director, Morgan Keegan & Co., Inc.  
**Christopher C. King** – Director, Stifel, Nicolaus & Co., Inc.  
**Amy Yong** – Research Analyst, Macquarie Capital (USA), Inc.  
**Chris D. Quilty** – Vice President, Raymond James & Associates  
**Jim McIlree** – Managing Director, Merriman Curhan Ford & Co.  
**Jeffrey L. Matthews** – Principal, RAM Partners LP

## — MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Iridium Second Quarter 2011 Earnings Conference Call. At this time, all participants are in listen-only mode. [Operator Instructions] As a reminder, this conference call may be recorded.

I would now like to turn it over to your host, Mr. Steve Kunszabo, Head of Investor Relations. Sir, you may begin.

### Steve E. Kunszabo, Head-Investor Relations

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Good morning and thanks for joining us. I'd like to welcome you to our second 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 second 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 fact 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 risk, 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'll 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 in the Investor Relation section of our webcast 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 & Director**

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Thanks, Steve, and good morning, everyone. Thanks for joining us. So, this morning as you can see, we reported results that again build on a long and consistent track record of delivering double-digit subscriber service revenue and operational EBITDA growth.

While these numbers stand on their own in highlighting our financial success and demonstrating that we've met the targets we've set for ourselves, the vision and strategy that underpins these strong financial results is rooted in a few core principles.

As a global communications company, we want to connect anyone, and anything all over the world in ways they expect to be connected. This driving force of our business has evolved over the years through product innovations, changes in the competitive landscape and better network technology, but what ties it all together is that basic need for people, assets, and organizations to be connected.

Our terrestrial wireless peers do a great job providing connectivity in the 10% of the world that their networks cover well. We want to lead in the remaining 90% of the world, where people still need to be connected and business still needs -- still gets done.

In that sense, we complement rather than compete with, terrestrial wireless by extending their reach for customers far beyond cell towers. We also have very different technology and network architecture than ground-based towers and for that matter, our mobile satellite peers, is what allows us to provide 100% global coverage.

And as we've noted in the past, we have a number one or fast growing number two position in our core markets. And when you consider that we've more than tripled our mobile satellite services market shares since 2001, and expected compound annual growth rate of about 10% for the industry through 2015, we're confident we'll continue to benefit from organic growth in the industry while also winning market share in key businesses.

Our commercial and government customers choose our products and services because they're critical to their daily operations and integral to their business and communications infrastructure. While we're proud of the role we play during national disasters when many other communication networks fail, that's really a small part of our business.

For example, we partner with the operations manager on a remote forestry site so that he can communicate with his workers and track his high-value equipment. We're part of the communications tool kit on a maritime vessel so the captain can download maps and weather data while the crew calls home to check in with their families.

Our technology system in an aircraft's cockpit allowing the operator to track that plane's exact location, saving fuel, providing more efficient routing and increasing passenger safety along the way. And finally, we serve with the platoon leader in Afghanistan who needs a reliable tactical radio service to communicate with his team beyond line of sight and a way to track his vehicles on the battlefield.

These are just a few of the examples that illustrate how we make connections happen every single day. We've also evolved pretty far from what was entirely a voice business in the early days. Much like our terrestrial wireless peers, we see data products and services perhaps our biggest source of

incremental growth. We've done a nice job executing against this opportunity so far with approximately 40% of our total service revenue in the second quarter coming from data products and services. The creativity of our partners, particularly in the machine-to-machine space, gives us confidence that we'll continue to strengthen our revenue profile by seizing this growing data opportunity.

In our commercial business, we and our partners continue to innovate across our entire product portfolio. In the voice business, which enjoys 13% year-over-year customer growth in the second quarter, our results have remained strong during the last five quarters despite increased competition in a challenging economy.

The Iridium 9555 phone has served us well for the last three years as the gold standard in reliability, mobility and global reach. The launch of our new handheld device during the third quarter as part of a broader product portfolio strategy will only fortify our competitive position in this market. Our launch partners for this new handheld product have given us positive feedback on its features and value and we're taking the final steps now to bring a new phone and several related devices to our customers.

We're really embarking on a broader mission to drive service revenues in ways we never have in the past. For example, Iridium-powered devices will make it easier for you to check your email messages and update your Facebook status even via smartphone. We'll have more exciting applications, features and products to share with you in the near future.

In the M2M sector, recent partner announcements of personal tracking devices that are powered by Iridium give us a new growth pillar in the consumer market. For example, the new two-way DeLorme satellite GPS communicator provides ground-breaking new features such as the ability to receive message confirmation and feedback from emergency services after sending an SOS message. It's also attractively priced with a customer cost of approximately \$250, spurring what should be wide and rapid adoption by consumers.

The initial feedback for this service, which is expected to launch in October, has been fantastic. With global coverage and unmatched two-way communications capabilities, it is a uniquely differentiated product in an addressable market with hundreds of thousands of customers. We're also seeing a great response for other personal communicator devices for many of our enterprise, defense and specialty partners.

Turning now to our government operation, which had a great first half of 2011. We posted our fourth consecutive quarter of mid-teen service revenue growth compared to a historical average closer to 6%. We grew voice revenue 12% year-over-year and expanded our M2M data business by nearly 80% providing further evidence that we've now become a core partner in the U.S. government's communications infrastructure.

While subscriber growth for Netted Iridium was a bit slow in the first half of 2011, as the U.S. government recalibrates its provisioning and support systems, the customer tells us there is considerable unmet user demand and we expect shipments to pick up there in the second half of the year.

Moving finally to our Iridium NEXT and hosted payload progress, we're reaching many of the goals we set for ourselves as it relates to the development of Iridium NEXT and are still on track to begin launching a new network in early 2015. Tom will provide more details to you in a bit, and I'll spend just a few minutes on two key areas.

In late June, we announced the selection of ISC Kosmotras as a supplemental launch provider for Iridium NEXT. This reliable and well-established platform augments our launch program for Iridium

NEXT. With the Kosmotras Dnepr rocket, we have the ability to send up a payload or just two satellites giving us added flexibility in how we deploy the Iridium NEXT constellation.

Understand, we have the full faith and confidence in SpaceX as our primary launch services provider, but are also pleased to welcome the Kosmotras team and largest commercial satellite endeavor in the world. As for our hosted payload progress, we remain focused on multiple opportunities including the global air traffic monitoring mission for this new line of business.

As we discussed last quarter, this mission has recently gained momentum because of its potential and/or unique capability to deliver the proposed service. It's 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 in developing nations. We expect our progress in the hosted payloads business to develop into firm commitments over the next six to nine months.

In closing, we're a global communications company that continues to execute well quarter after quarter and year after year. We're evolving, innovating, and attacking new markets that weren't envisioned 10 years ago when we were regarded as a satellite voice company. 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 68% of our total revenue in the second quarter. All this leads to operating margin expansion and cash flow growth. I look forward to continued strong execution and momentum during the second half of 2011.

So with that, I'll turn it over to Tom for a more detailed financial review. Tom?

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

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Thanks, Matt, and good morning, everyone. As Matt discussed, we announced solid second quarter results that underscore our ability to grow cash flow. These results are built on a foundation of competing in attractive vertical markets, operating a superior network, and benefiting from a highly-profitable, recurring service revenue base.

We achieved strong subscriber growth and on-target service revenue and operational EBITDA in the first half of 2011. We also affirmed our 2011 financial outlook this morning, which I'll review with you in a few minutes. Iridium reported second quarter total revenue of \$95.9 million and robust operational EBITDA of \$48.4 million, representing growth of 14% and 34% respectively from last year's comparable period. Our operational EBITDA margin was 50% for the second quarter and expansion from 43% in the year-ago period. Second quarter net income was \$11.7 million. This compares to net income of \$3.2 million per last year's second quarter.

From an operating viewpoint, we recorded commercial service revenue of \$49 million in the second quarter, yielding 9% year-over-year growth. We added 30,000 net commercial customers during the quarter for a total of 431,000 billable subscribers with approximately 17,000 of these net additions coming from the voice business and 13,000 from the machine-to-machine market. Commercial M2M data subscribers now represent 32% of billable commercial subscribers, an increase from 24% during last year's comparable period.

As Matt shared, we're strengthening our competitive footprint across all of our businesses to grow service revenue in brand new ways. We've begun to stake our claim in the consumer market with two-way satellite GPS communicators from several of our partners.

The FAA's recent endorsement of our satellite data service for critical air traffic control communications is a significant milestone for us in the commercial aviation market. With our new handheld communication strategy expected to launch in the next few months, we'll bring unmatched features and functionality to the most demanding users of our voice and data services and push connectivity to more people than ever before. Taken together, these important steps bolster an already diverse recurring revenue base.

Focusing next on our government service business, during the second quarter, we generated government service revenue of \$16.1 million, up 13% from the year-ago period. We added 1,000 new government subscribers during the quarter for a total of 47,000 billable subscribers, with M2M data subscribers growing 67% year-over-year, and now accounting for 21% of the installed base.

The customized voice and data solutions offered by our partners allow our government customer to achieve a level of operational readiness and mission effectiveness that other network operators simply can't support. In addition, the U.S. government continues to be a development engine for new products and services that will be fielded by them first but also have great crossover potential into our commercial markets.

For example, they recently made a \$13.4 million investment for further development and expansion of our popular Netted Iridium service. These additional enhancements will support theater-wide deployments, command and control reporting modules, higher capacity and improved quality of service for the military personnel that have come to rely on us for daily operations.

As we actively develop our pipeline of services in the handset market, we certainly see value in offering a commercial Netted product. Just as soldiers on the battlefield need connectivity with the rest of their unit, we see this being adopted by first responders, construction crews, oil and gas workers and many other industries, where work teams in remote areas don't have access to terrestrial wireless networks.

Turning now to equipment, which produced revenue of \$21.9 million, an 8% year-over-year gain, resulting from strong handset and machine-to-machine unit sales. While we're pleased with the performance of our equipment business in the first half of 2011, it's worth reinforcing that we still expect to see equipment revenue down for the full year 2011. We reported an unusually strong third quarter in 2010 as we were catching up last year from a global component part shortage that skewed our numbers.

Despite the non-operating impact I've just described, we continue to see healthy demand for both our handsets and Iridium 9602 transceiver in the second half of 2011, with the overall product mix continuing to favor lower cost M2M devices.

As we've said before, equipment revenue is the difficult of our revenue streams to predict, because it hinges on parts availability, competitive pricing dynamics and increasing demand for data products. These dynamics aside, we're still focused on being a service business and the practical decisions we will make continue to be aimed at driving more profitable recurring service revenue. Moving now to our financial and operating outlook for 2011, which we've reaffirmed across the board this morning. We continue to expect operational EBITDA between \$180 million and \$190 million for the full year 2011, which at the mid-point of the guidance range would be 16% growth when compared to the \$159 million we achieved in 2010. We also reaffirmed our 2000 outlook for subscriber, service revenue and equipment revenue growth. And finally, an update on our capital structure, liquidity position and Iridium NEXT progress.

As of the end of the second quarter, we drew \$265.3 million from the Colfax facility relating to payments we've made at Thales Alenia Space, our prime contractor, for their successful completion of contractual milestones for Iridium NEXT. We had a cash and cash equivalent balance of approximately \$103.8 million. We're making good progress for our Iridium NEXT build. We're close

to completing at preliminary design review for the new satellite system and Thales is just about done with its hardware component and server store selections. They've made 26 major subcontractor selections in the last year.

We're also implementing important upgrades to our ground infrastructure, modernizing our facilities to improve network performance and reliability. In summary, we're on track to begin deploying Iridium NEXT in early 2015.

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

**QUESTION AND ANSWER SECTION**

Operator: Thank you. [Operator Instructions] Our first question comes from Jonathan Atkin from RBC Capital Markets.

**<Q – Jonathan Atkin – RBC Capital Markets>:** Yes, good morning. A couple of questions. Wondering if Matt you can maybe give an update on the health of the existing constellation, and then maybe speak a little bit about the dynamics around Afghanistan, you listed that as one of your examples and with the kind of changing troop levels there, how does that affect your business?

**<A – Matthew Desch – Chief Executive Officer & Director>:** Yes, our network continues to perform very well as we expected it to and as we continue to expect it to through the launch of NEXT. I think one of the things that a lot of people still don't appreciate is the fact that we have a number of spare satellites in orbit and expect occasionally satellite failures. So we're -- we don't have them very often or certainly don't have them as often as we're expecting many years ago. But when do, we have spares in orbits that we can quickly move into space and given our unique mesh network, our customers seldom ever notice any kind of change.

And while our satellite system is getting older, it's a very sophisticated system that we've been able to manage successfully and perform actually more services than it was originally designed for. So, we still expect a good performing network and service through the launch of NEXT, which is frankly, only about three and a half years away from now.

So, as far as the second question, Afghanistan, yes, we're certainly used on both the commercial and DOD sense in Afghanistan. We are not seeing that big of an effect. It's certainly not growing like it had been in the past. We haven't seen big declines and I expect that we will eventually have some declines overall as -- in general service there. But I think it's going to be at least partly replaced by additional service as the DOD and others pull out their core infrastructure and then need to rely even more on satellite service than perhaps before, so I think there's going to be sort of a long term transition there. And in general, it's a small part of our business so I don't think we're expecting to see that big an impact long term from it.

**<Q – Jonathan Atkin – RBC Capital Markets>:** And then turning to guidance on EBIT, if we sort of annualize the first half trend, it gets us well into your range for the full year which you maintained and seasonally I think we normally see a growth in EBITDA, so wondering what is implicitly leading you to be conservative on the second half. And then likewise on equipment revenue where it looks like it was up for the first half of the year and implicitly you're calling for kind of a significant mid to high teens decline in the second half of the year take out your guidance. What would be the driver of that?

**<A – Thomas Fitzpatrick – Chief Financial Officer>:** Right, John. So the third quarter of last year for -- most notably equipment revenues was really strong, I think \$27 million something like that and that -- the third quarter benefited really from the fact that we caught up with equipment shipments relative to a part shortage that basically depressed the first and second quarters of last year. So when you give effect to that, the full year we still see down slightly in equipment revenues and -- but that also affects the kind of the EBITDA guidance as well, you have to take in into account the effective equipment -- strong equipment margins in the third quarter and to electrics in the fourth quarter. So we reaffirmed confidently the range of EBITDA here this morning.

**<Q – Jonathan Atkin – RBC Capital Markets>:** Great, thanks a lot.

**<A – Matthew Desch – Chief Executive Officer & Director>:** Thanks, John.

Operator: Thank you, sir. Our next question comes from Brian Ruttenbur from Morgan Keegan.

**<Q – Brian Ruttenbur – Morgan Keegan & Co., Inc.>**: Thank you very much. Great quarter. The question that hasn't been asked yet is about potential pushout of NEXT. It looks like everything is very much on track. Tell me, at this early stage, what kind of bumps you could see hitting? Number one. And as I understand it, even if things got pushed out a year or two, your current infrastructure, current satellites could support you for another couple of years beyond 2015, is that correct?

**<A – Matthew Desch – Chief Executive Officer & Director>**: Well, Brian, first of all, we have a firm fixed price contract that has delivery schedules required to the satellites in the first quarter of 2015 and Thales Alenia Space is currently on that plan and we monitor it very closely. My team spends time with them both in country and practically daily on conference calls to manage that very, very closely. So that continues to look like it's on track. We don't see any kind of expectations or any delays right now and if it did, it's certainly when you say year or years that is -- that is not just infeasible but highly, highly unlikely. I mean, it would be weeks or maybe months at most if for some reason there were some sort of issue there. I don't know what that might be at this point. We're actually in some ways a little ahead of plan because the PDR, which was expected later on in the first quarter, is actually being drawn forward a bit by our partner. I think that's a nice de-risking move on their behalf because it sort of locks down the design and ensures there's plenty of time to do the development work towards launch. So I don't suggest that, that will mean that we'll be early, but I do think that that gives us confidence that we're still on track for first quarter 2015 as we said.

So it's extremely unlikely now. Your second part of the question I guess is then completely hypothetical, but we still do have as I said in the first answer, a high-performing network. I know that it's real easy for others to sort of allude that somehow we'll have the problems that our competitors -- some of our competitors have had with their networks and somehow that sounds -- that sounds compelling, I'm sure, to somebody who doesn't understand satellites but that, as I've said many times over the years, our system is completely different.

So we have a completely different architecture, a completely different way. We've had over 12 years of managing it successfully and know how it's going to perform and it's performed -- it continues to perform as we have said it will perform and as we think it will and don't expect that will change. So it is true.

It will -- it has potential really as we launch the network, of still being -- having spares in orbit and for example could last a few more years, but I wouldn't want to change our plans in any way and delay our capital spend because we have new service revenues and new things like hosted payload revenues that we'll want to see exploited as soon as possible. So we think we have the right plan and we're on track to deliver.

**<Q – Brian Ruttenbur – Morgan Keegan & Co., Inc.>**: Okay, and then one other question on -- just following up on the government question. As we scale down in Afghanistan, it looks like you're experiencing no scale down but ramp up. Can you talk about what you see in two, three, four years as the DOD cuts, let's say, \$1 trillion? How does that impact you? Do you see it impacting you guys at all or is it -- are you going to be immune?

**<A – Matthew Desch – Chief Executive Officer & Director>**: Brian, we're going to keep a close eye on it obviously, but our expectations has always been that they would -- that we would be getting out of Iraq and Afghanistan eventually but that doesn't preclude the fact that we could be in many other places in the world since the -- unfortunately, peace hasn't broken out and there is need for far less troops.

I do think we correlate more with sort of the general size of our force and that isn't really declining that much. I think a lot of the declines that are projected are more in capital programs as opposed to expense programs which is really more what we are. We're an ongoing part of the toolkit if you will, so it's more of an expense. And by the way, we're not -- we're more of fixed expense as

opposed to -- since we're -- we price really by the unit, not by how much it's used. And frankly, troops train with it, and so it's used in North America as well as in Europe and it goes back and forth to wherever force happens to be.

So, notwithstanding all that, I think that there'll be some pressure, but as you can tell, our business with the DOD has dramatically sort of expanded over the last couple of years frankly due to more diversity of services. We've moved from being just a secure voice phone into a machine-to-machine device, to a tactical radio and I think we'll continue the expand as we move into even the anti-jamming navigation services and other things.

So over time, I'm expecting still some growth, as to how much growth, we'll yet to see. But I still think that there's potential for much more.

**<Q – Brian Ruttenbur – Morgan Keegan & Co., Inc.>**: Thank you very much.

**<A – Matthew Desch – Chief Executive Officer & Director>**: Thanks, Brian.

Operator: Thank you, sir. Our next question comes from Chris King from Stifel Nicolaus.

**<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>**: Two quick questions for you, I guess. First of all, and I know you touched upon it briefly in your prepared commentary, but look like engineering revenues were particularly strong this quarter. Just was wondering if you could give us a little bit more color on that, whether there was any kind of one-time issues in there we should be thinking about going forward?

And then secondly, with respect to third quarter seasonality, I know you guys kind of touched on that as well, particularly given the strong third quarter you had last year, just was wondering if you can talk a little bit more about your internal projections or whatever, but how you expect second quarter versus third quarter sequentially to track versus last year?

And then lastly, just a kind of minor technological question for you, I did see an article over the weekend about some solar flares that were rearing their ugly head and talking about the potential impact later this week for some satellites. Just was wondering in particular obviously you guys have plenty of spares up there now, is there anything you can do one way or the other to prepare for that or is that just generally God's will type of thing in terms of what ultimately happens there? Thanks.

**<A – Matthew Desch – Chief Executive Officer & Director>**: Chris, let me take the last one, just because that's sort of a quick one. I mean solar flares are not really much of an issue to a LEO orbiting satellite system. There are more concerns for MEOs and GEOs. Frankly, because they're not really protected by the atmosphere if you will like we are. In fact, there's some of these solar flares sort of bubble up the atmosphere if you will to provide even more protection to our satellite at our altitude. So our satellite team doesn't really see even solar flares were unprecedented, anything that sort of look, what would be called a single event upset for our craft which is a very quick activity and sort of a computer, reboots quickly and frankly, nobody even hardly notices it. So solar flares really, despite exciting movies and other things, I'm sure, are really more of a concern for other satellite architectures than us. Tom, you want take the engineering services question and seasonality?

**<A – Thomas Fitzpatrick – Chief Financial Officer>**: Hi, Chris. So, just by way of background, the engineering and support revenue is sort of inherently episodic. If there's a project that we're working on, you'll see that spike up and down depending on the project in question. It's principally our government customer where we're doing research and development work, development work on their gateway, et cetera. And that is what you saw here in this quarter there was a upgrade project relative to the Hawaii gateway and that caused a significant increase year-over-year. And

you'll see that from time-to-time. Like I said that, engineering support revenue is inherently kind of episodic.

And then in terms of -- as we look into the third quarter, as I've said previously, on a year-over-year basis, we see equipment revenues down, because the third quarter of 2010 benefited from the catch-up in equipment shipments relative to a part shortage that impacted the first and second quarters of last year and then the third quarter benefited. We had no such issue this year and so our first and second quarters were more sort of normal. Instead we're not going to get that benefit in the third quarter. So, we see a negative year-over-year comp and that is reflected in our guidance.

**<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>**: Thanks very much.

Operator: Thank you, sir. Our next question comes from Amy Yong from Macquarie.

**<Q – Amy Yong – Macquarie Capital (USA), Inc.>**: Hi. Thanks for taking my question. Matt, can you profile a little bit more color on the timing of your new phone? And I know you talked about it in your prepared remarks, but can you also talk about what the impact ARPU volume will be in on the handset side?

**<A – Matthew Desch – Chief Executive Officer & Director>**: Yes, Amy. No, we're not giving specific guidance yet, because we're trying to keep a little surprise even though it's probably a pretty poorly kept secret at this point in the industry, given how much we've worked with our partners and others around the industry in working out the development. So I did say in my prepared remarks, third quarter, and I know that I can even be more specific to say August is a slow month, so don't expect it in the next two or three weeks. But beyond that, you get the idea.

As far as what it's going to be, I think you're going to see it's going to be broader than just the handset. I'll leave the excitement for the announcement, but I don't think if -- I think everyone's sort of just assuming that's a refresh, but I think it's a broader strategy that we like to talk about in the industry because we've been the leader now for 12 years, if you will, in what would be the handset business. But I think it's -- I think that market's changing and I think we can be the leader going forward in changing that as we -- we think it's not just about satellite phones, it's about connecting people in a way that they want to be connected.

And I also think that there's going to be a long-term transition in the mobile satellite space as it relates to services. I mean just as in the terrestrial wireless, the market went from voice to data and to driving basic simple calls to driving more and more value through the device that people carried. I think the same sort of thing will eventually happen with us. So again, not trying to make any specific comments as it relates to, as you said, to ARPU or service revenues or anything specifically there, but I think our view is that there's more value to be had in the personal device space. And more value means more service, which potentially could mean more revenues and that will be a strategy. Not just, by the way, for new handsets going forward, maybe we can find ways of driving value in the existing installed base that we have, which is one of the largest in the industry. So, more news to come on that.

**<Q – Amy Yong – Macquarie Capital (USA), Inc.>**: Thanks and can you also just talk really quickly about OpenPort? It looks like ARPU is trending well. Are you seeing any changes in usage behavior or can you just comment on kind of ARPU trends in the back half of the year? Thanks.

**<A – Matthew Desch – Chief Executive Officer & Director>**: Let me make a more general comment, to start with. I know that -- I've noted there are main competitions in the maritime environment who are sort of calling flat to down now in the maritime environment. And frankly, we don't see that. We still see continued growth in maritime. We don't see any kind of change in general market activity. So if there is issues there, I think they're self-inflicted. In our case, we have

new products. They're coming into the space. It's a bit more greenfield for us perhaps. We're transitioning from the voice market that we've been in for the first seven or eight years to data, which OpenPort recognizes as well as other products that provide other data.

So OpenPort's been a great, great product because it continues to grow. You're right, the ARPUs have held pretty well. There is changing pricing out there in the market place, and we're adapting to it. But frankly, it's still all upside to us. So I could see pressure in the future on those ARPUs. Though I agree frankly with Inmarsat that it seems like there is some elasticity of -- you provide a higher data service for customers at a lower price, they end up using a bit more of it eventually. So I think that, that will come back. I think that overall, we're in the value play in that market. We're in the sort of \$500 and below, people who want \$500 worth of data and we're probably the best value in providing \$500 worth of voicing data to a ship. If you want \$1,500 to \$3,000 worth of voicing data on a ship, we're probably not the best. We have some customers who might use us for that, but I think that there are probably others who are better-positioned for that. So, I think -- our goal is to really kind of rule that space we have and it seems to continue to be that we are doing well as we proceed. Does that answer your question, Amy?

**<Q – Amy Yong – Macquarie Capital (USA), Inc.>**: Yes. Thank you.

**<A – Matthew Desch – Chief Executive Officer & Director>**: Sure.

Operator: Thank you. Our next question comes from Chris Quilty from Raymond James.

**<Q – Chris Quilty – Raymond James & Associates>**: Hi. Good morning, gentlemen. Impressive results all around, but especially on the voice segment. In terms of number of subscriber adds, was there anything in particular that aided you in the quarter as still a follow-on from Japan or do you think that this reflects overall demand?

**<A – Matthew Desch – Chief Executive Officer & Director>**: I think it reflects the fact that we're still the go-to-market solution in the market and we're still continuing to get those who really care and will pay for service, the majority of that business and it reflects that. I think there's a little bit of Japan in there. I have seen some -- and it's not just Japan, by the way, about resolving problems or the emergency that happened in Japan, but it's the demonstration that Japan does to the market around it, saying that, if you're an enterprise or governmental user, you might not want to eliminate backup solutions or things that can help you at an emergency whether they be a tsunami or something else that's unpredictable. But overall, it just feels like the pace of business continues as we have seen it sort of in the past.

There has been more competition -- there must be more competition, but frankly, we're not feeling it as much which sort of says that it's probably opening up a new market segment below what we're typically used to getting. We're more competitively priced than I think we used to be as we've sort of lowered our prices slightly over the last two years. But frankly, it seems like what movement we've made frankly has kept us -- continue to keep us competitively as the gold standard in that market. And I think as we add new products, we're going to continue to ensure we maintain a leader in that space and maybe even broaden it a bit.

**<Q – Chris Quilty – Raymond James & Associates>**: So, there was the second question. Do the new handsets -- I mean do you think in any way that helps broaden some of the target markets you can go after?

**<A – Matthew Desch – Chief Executive Officer & Director>**: Yes, and as I said, I think it's going to be a slightly broader announcement. You have to wait and see. Then just -- it's not just about phones and we're going to -- we think it's about services and about value to the customer and letting them communicate anywhere in the world the way they want to be -- the way they want to connect. So I guess you'll have to wait and see on that. But yes, I think it does sort of broaden. I

think the analysts and I don't mean financial, but maybe industry analysts as well the competitive environment have been treating the satellite phone as a satellite phone like it's from closed end market segment that can only get slightly smaller. And we see it as just a connection to a very powerful network that happens to cover every part of the planet and if you can make that connection to allow people to communicate in ways they want to communicate, that's a broader segment and I think it goes beyond voice. Obviously, you're seeing it in the data segment. You're seeing it sort of the blurring of the lines between the machine-to-machine market and the traditional sort of personal device space with consumer M2M devices. And I think you're going to see some blurring of lines between threshold and satellite and others. I'm sorry to be so cryptic, but I guess it's just a big advertisement for -- wait until we announce our solution there.

**<Q – Chris Quilty – Raymond James & Associates>:** Go it. Speaking of M2M, I think at this point last year, you talked about the fact that with the introduction of the new 9602, you had orders for something like a 100,000 units to ship in 18 months. And I know you don't generally give orders or book-to-bill, but can you give us some sort of indication of, a year later how well those units have shipped relative to expectations. And what's happened to the order rate and the installation rate that you've seen with some of your partners?

**<A – Matthew Desch – Chief Executive Officer & Director>:** Yes. I mean we do continue to see a very robust market in the machine-to-machine space, and I think that's demonstrated by the units that are going out the door they are shipping. In fact, what we're focused on now more than anything else is activations, it's net activations and having them track devices, because we're getting a lot of design wins I think in a broader set of market players than we had seen in previous years. And so some that have been announced, some that haven't been.

The challenge often for those customers is they have, and in fact frankly I think a lot of them have the market [ph] flout (40:20), the marketing investment to actually be successful. But then they have to develop it and actually put it into the marketplace. And sometimes things delay compared to what they tell us they hope to do.

But we see sort of a backlog of design wins to come out in the marketplace over the next coming quarters. And I think that bodes well really for the continued growth of our machine-to-machine business. And it's all really due to the 9602. It sort of gets us into the competitive pricing in that market, where we always had the best network, but we just didn't have quite the pricing. We're now in that. And by the way, frankly, we're not stopping innovating. We have more to offer in that space in the future. I think over the coming years well before NEXT, you're going to continue to see new products and markets to continue to carve out a growing leadership position in the M2M space too.

**<Q – Chris Quilty – Raymond James & Associates>:** Speaking of M2M, I think you've mentioned DeLorme is supposed to have a product out before the end of the year. And I think I have -- there's another, I'll call them consumer M2M or tracking-type companies out there. Any of those other companies likely to have products to market by the end of the year or what are you thinking in terms of timing where that becomes a larger segment that you would call out?

**<A – Matthew Desch – Chief Executive Officer & Director>:** Well, I would -- perhaps, I mean I'm not really sure because it's really up to them and they give us visibility into it. But I wouldn't want to give any kind of indication that I know for sure exactly when a partner is going to announce. I do want to make a point here. We have a very different strategy than others in the space. Many others are either trying to purchase the channel, which I think is dangerous because, frankly, the machine-to-machine market is only getting started and there's a lot of potential innovation in that across the industry. And others try to do it all themselves.

But a good example here is we are unique in the fact that we are -- we really believe, for example, in this consumer space that the innovation's going to come from people who are close, who have the marketing and investment who have the market recognition, the name, to be successful. So just

in products, and I think they're not all consumer products. Some, I call more enterprise or governmental products. But we're seeing – I don't know, over 10 different products in what I would call the personal location tracking space that are Iridium-powered, and frankly a couple more. I just learned that one or two I didn't even know existed that are launching soon and it's hard to call whether they're consumer or not consumer because there's a real blurring between the market space. It may just come down to how people really want to price their solution as to whether they'd be – view it as a consumer solution or not because they're small, they're attractive, they have great service plans, et cetera and consumers might benefit from them.

So we believe there's a going to be a lot of innovation. People can go to market and take you to all different kind of unique market segments and be very successful, and we're not going to try to keep up with that ourselves with our own investments to go after that. So I know it's a long-winded answer to the question. Yes, there could be some more this year.

**<Q – Chris Quilty – Raymond James & Associates>**: Okay. And finally, just a request, can you say [ph] Cosmotrof's Nieper (43:39) three times fast again?

**<A – Matthew Desch – Chief Executive Officer & Director>**: I practiced so long to get that right actually, since I got [ph] Nieper (43:46) right.

Operator: Thank you, sir. Our next question comes from Jim McIlree from Merriman Capital.

**<Q – Jim McIlree – Merriman Curhan Ford & Co.>**: Yes, thank you and good morning. You talked a little bit about a commercial netted product. Do you have an expected timeframe on when that might be available?

**<A – Matthew Desch – Chief Executive Officer & Director>**: No. It's not this year. We're in sort of initial design phases for it right now. And frankly, it will probably be more of something that wouldn't impact, I think, our financials significantly, even next year I would expect, I think it's more of a 2013.

But I do think it's an example of something that I mean I think we're uniquely qualified to do. I think it's a great example where our commercial R&D intersects our governmental sort of R&D partner. In fact, there is a transition going on right now with our government Distributed Tactical Communications Service or DTCS as they evolve to even more robust global type product and that would be available next year and we thought that was a great time to intersect that development that was benefiting the government customer with our commercial customers in bringing us even more interesting fully-featured sort of product to market. So we'll talk more about that, I think, in the coming months and quarters since we believe it's -- I'd say it's a bigger market than we even originally expect it to be.

We get a lot of feedback from our customers and partners that there's -- that would an interesting space. And again, that's something we can probably do with existing handheld products and architectures, but making them more valuable to the -- to more customer segments, so I think that only enhances what I would call our handheld voice and data business.

**<Q – Jim McIlree – Merriman Curhan Ford & Co.>**: Great. And relative to the new handset announcement and it sounds like there's a lot of other things going on in terms of product and service announcements at the same time. What's the risk then that Q4 equipment and service revenues gets negatively impacted by that in transition to the whole suite of new things that are coming out?

**<A – Matthew Desch – Chief Executive Officer & Director>**: We've done transitions between devices before and we kept that in mind and obviously our guidance is in mind or sort of keeps that in mind of what that would be. It's not really a transition, I think one thing it's a little different this

time. The 9555 is actually going to continue to be a core product. We're only adding to that really and turning it into, I guess, a bit more of a portfolio strategy now of multiple products and related services. So I don't think -- in fact, we kind of communicated already to our partners and have a pretty good visibility to how that transition will work, so I don't really see a lot of impact really from that.

<Q – Jim McIlree – Merriman Curhan Ford & Co.>: Okay. Thank you.

<A – Matthew Desch – Chief Executive Officer & Director>: Thanks, Jim.

Operator: Thank you, sir. [Operator Instructions] Our next question comes from Jeff Matthews from RAM Partners.

<Q – Jeffrey Matthews – RAM Partners LP>: Hi, thanks very much. I was wondering, you sound maybe more confident that hosted payload revenues will come through. Was that accurate or not?

<A – Matthew Desch – Chief Executive Officer & Director>: Well, compared to what? I mean, obviously we haven't announced a deal yet. So there's still something there. But yes, we continue to work very, very closely with multiple hosted payload partners and on that basis, I think I was -- I certainly demonstrated the confidence I continue to feel that we're going to see a deal or deals actually in the coming months. So it's the time and the place and our partners and customers know it, and we've learned a lot in the five years working it. So I think we feel pretty good about that space.

<Q – Jeffrey Matthews – RAM Partners LP>: Okay. And then, what's the next step, now that the FCAA has made this decision, what's the next step towards actually getting equipment sales as a result of that?

<A – Matthew Desch – Chief Executive Officer & Director>: Well, it's not equipment sales. You mean the -- I'm sorry, we were transitioning to the...

<Q – Jeffrey Matthews – RAM Partners LP>: Yes. I'm sorry, I apologize.

<A – Matthew Desch – Chief Executive Officer & Director>: This summer, yes. That's actually often called ADSC sometimes, or aviation safety services. The market's been anticipating that for a while. So avionics manufacturers have been building Iridium into their systems and have been marketing the capability to airlines. In fact, they've been looking at potential solutions overtime. But no one really could move until -- in a big way to deployment until they were sure that we were going to be certified, which we have been now. So I do expect that to continue and I expect to see more deployments out there onto airlines. Our strategy is not just -- by the way aviation safety services, but our strategy long-term is to kind of -- to be a very important player in the cockpit, in the commercial cockpit and this is just one aspect of that, but tracking solutions and other things in the machine-to-machine as well as voice solutions are also still very important yet to come.

I don't know how you'll necessarily see this in our results. We're not going break it out and we're kind of diversified right now and that aviation is just one part of our many subscribers. But we do believe it will be just one more application and solution, which will continue to drive our growth.

<Q – Jeffrey Matthews – RAM Partners LP>: Great. Okay, thanks.

<A – Matthew Desch – Chief Executive Officer & Director>: Thanks, Jeff.

Operator: Thank you, sir. And I would now like to turn it back to the speakers for any closing remarks.

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

Well, great. Thanks to everyone for joining us. Another good quarter and we'll look forward to seeing you on our next quarterly call. Thanks.

Operator: Thank you, Ladies and gentlemen. This does conclude your call for today. You may now all disconnect. Thank you very much and have a wonderful day.

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