Date: 14 February 2011
On behalf of: Avanti Communications Group plc (“Avanti” or “the Company”)
Embargoed until: 0700hrs

Avanti Communications Group plc
Interim Report for the 6 months ended 31 December 2010

The Board of Avanti Communications Group plc (AIM: AVN), the broadband satellite operator, announces its Interim Results for the six months ended 31 December 2010.

Key Points

- HYLAS 1 successfully launched and in geostationary orbit
- HYLAS 2 procurement progressing to plan
- Strong demand for Ka band capacity
- Current order book of £229 million at strong average selling prices
- Pipeline of transactions in negotiation for HYLAS 1 and 2 worth £389m
- Good progress made towards efficient financing of HYLAS 3

Financial highlights

- Revenue of £1.2 million (2009: £3.3 million)
- Equity placing in July facilitated the repayment of the HYLAS 1 PIK bond
- Cash balances of £64.9 million (June 2010: £34.2 million)
- $140 million of HYLAS 2 debt drawn

Commenting on the results, John Brackenbury, CBE, Chairman said:

“Our opportunity is not specific to one product or market, but more generally to the global growth in demand for data. The proliferation of new internet applications, particularly those which are video intensive, and new devices enabling consumers to connect to the internet are the drivers of our market. In developed markets, data demand is rising strongly and in emerging markets, vast new populations are coming to digital media for the first time. Whether it is connecting businesses, homes or government users directly, or providing wholesale network capacity for other telcos, Avanti is convinced that for a long time to come, the World’s demand for data will greatly exceed the World’s supply of telecoms capacity to transmit it, especially outside the biggest cities. We call this the "Data Crunch". Avanti’s high throughput, high capacity satellites are in a perfect position to exploit this trend.”

--ENDS--

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Notes to Editors

About Avanti

- Avanti sells satellite data communications services to telecoms companies which use them to supply residential, enterprise and institutional users.
- Avanti's first satellite called HYLAS 1, launched on November 26th 2010 and is the first superfast broadband satellite launched in Europe.
- Avanti’s second satellite, called HYLAS 2, on target for launch in Q2 2012. It will extend Avanti’s coverage to Africa and the Middle East.

Chairman's Statement

Overview

During the period HYLAS 1 was successfully launched. The satellite has now substantially completed its testing and is in excellent condition. The satellite reached geostationary orbit very efficiently and as a result HYLAS 1 is expected to achieve longer useful life than planned. Following completion of certain confidential pre-service commercial missions, Avanti expects to declare In Orbit Acceptance and begin regular commercial operations in March, at this point Avanti will advise the market on the amount of life extension.

The HYLAS 2 procurement is proceeding well and no slippage on the original delivery date has been reported. HYLAS 2 is therefore due for launch in the first half of 2012. The critical design review was passed without problem, long lead item components were delivered and the satellite is now being assembled. An appropriate launch slot is reserved with Arianespace for launch on an Ariane 5, and the establishment of gateway earth stations is proceeding well.

The demand for our services is very strong and our pipeline of opportunities continues to grow. The order book (also known as "backlog" in our industry) across the two satellites now totals £229 million with the average length of contracts being 7.2 years for HYLAS 1 and 4.3 years for HYLAS 2. The average prices per MHz per month are materially ahead of expectations. The pipeline of potential new business in negotiation amounts to £389m, not including transactions which are under negotiation to support the efficient debt financing of HYLAS 3.

The contract backlog and pipeline give us high confidence that we can achieve the three and five year sell out targets we set ourselves.

Customers make firm irrevocable commitments to buy a specific amount of bandwidth at fixed prices and duration. In one exception, the order book includes one transaction with an institutional customer structured as an option over which the first instalment payment has been received.

In March 2010 we announced conditional contracts for the sale of 320 Mb of capacity on HYLAS 1 to a customer for service in Eastern Europe, subject to the completion of funding. The funding for this business has been partially achieved and as a result, 186 Mb of this capacity has been purchased firmly. Further customer efforts to secure funding for expansion into new territories are expected to result in the remaining option capacity (not included in the backlog) being taken up.

Significant new sales were announced in the period to companies using HYLAS 2 as well as HYLAS 1, including two fleet deals with Tigris Net which serves government and corporate customers in the Middle East and Africa worth in aggregate £18 million over the next ten years.

Our opportunity is not specific to one product or market, but more generally to the global growth in demand for data. The proliferation of new internet applications, particularly those which are video intensive, and new devices enabling consumers to connect to the internet are the drivers of our market. In developed markets, data demand is rising strongly and in emerging markets, vast new populations are coming to digital media for the first time.

Whether it is connecting businesses, homes or government users directly, or providing wholesale network capacity for other telcos, Avanti is convinced that for a long time to come, the World's demand for data will greatly exceed the World's supply of telecoms capacity to transmit data, especially outside the biggest cities, and we call this the "Data Crunch". Avanti's high capacity satellites are in a perfect position to exploit this trend.

Results

As previously announced, we stopped installing new business onto our rented Ku capacity in anticipation of the launch of HYLAS 1 in November partly because that Ku band capacity is prohibitively expensive, but primarily because we had completed the testing of the ground software and hardware we developed in preparation for HYLAS 1 commercial launch. We also redeployed staff resources out of our consulting business to focus on the generation of pre-sales for the HYLAS fleet. As a result revenue for the period was £1.2 million (2009: £3.2 million). The prior period revenue also included income from the ESA contract for services in relation to the development of the HYLAS 1 payload, which finished in June 2010. These two factors explain the planned drop in revenues. Cost of sales also fell significantly and resulted in a small gross loss of £195k.

Operating expenses were £6.3 million £1.3 million higher than the previous six months. The staff increases in the prior and current period account for most of the variance, with the balance being costs associated with the setting up of the Cyprus business which is the primary Gateway Earth station for HYLAS 2 and also the commercial sales and service centre for the Middle East and Africa regions.

The balance sheet has seen significant changes in the last 6 months. In July we concluded the placing of 16.3 million shares which generated £70 million. £53.6 million of these proceeds was used to pay down the PIK bond we raised in 2007 to fund HYLAS 1 which was expensive and restrictive.

In the period we have drawn down $140 million of the US EXIM/COFACE facilities for capital expenditure on HYLAS 2. As a result non-current assets have increased to £274.6 million from £170.5 million at June 2010.

Outlook

HYLAS 1 will be brought into commercial service in March, and as a result we are finding that sales opportunities with large international telecoms companies are becoming easier to generate. We therefore remain highly confident that we can fill our satellites within the three and five year ramp up targets previously discussed, and at attractive prices.

We previously described our strategy to seek efficient ways to finance the HYLAS 3 satellite. The debt finance secured from export credit agencies for HYLAS 2 provided relatively high leverage, thus minimising equity dilution for shareholders, and also bears a comparatively low coupon of below 6%. In order to repeat this success, we decided to seek pre sales contracts from customers on the HYLAS 3 satellite, which can then be used to finance the satellite in the debt market, protecting shareholders interest. Such financings are time consuming and complex, but well suited to a business like Avanti which has very long term assets and aspirations. I am pleased to report that we are in advanced negotiations on several significant pre-sales contracts which should enable us access efficient capital and we hope to update the market soon.

AVANTI COMMUNICATIONS GROUP PLC

CONSOLIDATED UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 December 2010

	Note	**Unaudited Half year 31 Dec 10 £'000**	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Revenue		**1,227**	**3,263**	**5,815**
Cost of sales		(1,422)	(1,768)	(3,140)
Gross (loss)/profit		**(195)**	**1,495**	**2,675**
Operating expenses		(6,268)	(3,705)	(8,739)
Other operating income	7	198	1,760	3,628
Loss from operations		**(6,265)**	**(450)**	**(2,436)**
Financing exchange gain and movement in derivative fair value	8	91	56	972
Finance income		19	32	99
Finance expense		(156)	(78)	(591)
Loss before taxation		**(6,311)**	**(440)**	**(1,956)**
Income tax	5	1,445	170	24
Loss for the period attributable to equity holders of the company		**(4,866)**	**(270)**	**(1,932)**
Loss per share (pence)		(6.13p)	(0.65p)	(3.68p)
Diluted loss per share (pence)		(6.13p)	(0.65p)	(3.68p)

CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 December 2010

	Unaudited Half year 31 Dec 10 £'000	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Loss for the period	**(4,866)**	**(270)**	**(1,932)**
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations and investments	**(1,683)**	**-**	**2,194**
Total comprehensive loss for the period	**(6,549)**	**(270)**	**262**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2010

	Note	**Unaudited 31 Dec 10 £'000**	Unaudited 31 Dec 09 £'000	Audited 30 Jun 10 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	9	272,648	92,447	170,231
Intangible assets		98	16	11
Deferred tax assets		1,812	280	268
Total non-current assets		**274,558**	**92,743**	**170,510**
Current assets				
Inventories		2,696	1,525	1,398
Trade and other receivables	10	13,363	13,958	15,993
Derivative financial instruments		-	-	525
Cash and cash equivalents		64,913	24,650	34,181
Total current assets		**80,972**	**40,133**	**52,097**
Total assets		**355,530**	**132,876**	**222,607**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		28,922	15,250	13,460
Derivative financial instruments		103	-	-
Provisions for other liabilities		30	30	30
Interest bearing liabilities		362	275	269
Total current liabilities		**29,417**	**15,555**	**13,759**
Non-current liabilities				
Trade and other payables		21,149	7,228	7,228
Provisions for other liabilities		18	48	33
Interest bearing liabilities		90,511	45,521	49,404
Total non-current liabilities		**111,678**	**52,797**	**56,665**
Total liabilities		**141,095**	**68,352**	**70,424**
Equity				
Share capital		802	417	639
Share premium		188,678	34,041	120,496
Retained earnings and other reserves		24,955	30,066	31,048
Total shareholders' equity		**214,435**	**64,524**	**152,183**
Total liabilities and equity		**355,530**	**132,876**	**222,607**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 December 2010

	Unaudited Half year 31 Dec 10 £'000	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Cash flow from operating activities			
Loss from operations before taxation	(6,265)	(450)	(2,436)
Net foreign exchange loss/(gain)	(198)	222	(439)
Depreciation of property, plant and equipment	364	401	759
Amortisation of intangible assets	5	5	10
Provision for/(reversal of) impairment of trade receivables	47	(51)	13
Onerous lease provision	(15)	(15)	(30)
Share based payments expense	356	211	602
	(5,706)	323	(1,521)
Movement in working capital			
Increase in inventories	-	(1,173)	(1,047)
Decrease/(increase) in trade and other receivables	2,756	184	(1,756)
(Decrease)/increase in trade and other payables	(6,082)	7,467	6,607
Cash generated from operations	(9,032)	6,801	2,283
Interest received	19	32	99
Interest paid	(60)	(78)	(155)
Net cash (used in)/generated from operating activities	**(9,073)**	**6,755**	**2,227**
Cash flows from investing activities			
Payments for property, plant and equipment	(65,947)	(36,332)	(108,803)
Net cash used in investing activities	**(65,947)**	**(36,332)**	**(108,803)**
Cash flows from financing activities			
Proceeds from borrowings	90,037	-	-
Repayment of borrowings	(53,606)	-	-
Proceeds from share issue	70,000	31,500	120,500
Share issue costs	(1,655)	(1,177)	(3,500)
Derivative gain	719	-	-
Movement in finance leases	353	-	-
Finance lease paid	-	(238)	(402)
Net cash received from financing activities	**105,848**	**30,085**	**116,598**
Effects of exchange rate on the balances of cash and cash equivalents	(96)	(473)	(456)
Net increase/(decrease) in cash and cash equivalents	30,732	35	9,566
Cash and cash equivalents at the beginning of the period	34,181	24,615	24,615
Cash and cash equivalents at the end of the period	**64,913**	**24,650**	**34,181**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 December 2010

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Reserves £'000
At 1 July 2009	**417**	**34,041**	**30,021**	**64,479**
Total comprehensive loss for the period	-	-	(270)	(270)
Share based payments	-	-	211	211
Tax credit taken directly to reserves	-	-	104	104
At 31 December 2009 (Unaudited)	**417**	**34,041**	**30,066**	**64,524**
At 1 January 2010	**417**	**34,041**	**30,066**	**64,524**
Total comprehensive income for the period	-	-	532	532
Issue of share capital	237	86,455	-	86,692
EBT treasury shares	(15)	-	-	(15)
Share based payments	-	-	391	391
Tax expense taken directly to reserves	-	-	59	59
At 30 June 2010 (Audited)	**639**	**120,496**	**31,048**	**152,183**
At 1 July 2010	**639**	**120,496**	**31,048**	**152,183**
Total comprehensive loss for the period	-	-	(6,549)	(6,549)
Issue of share capital	163	68,182	-	68,345
Share based payments	-	-	356	356
Tax credit taken directly to reserves	-	-	100	100
At 31 December 2010 (Unaudited)	**802**	**188,678**	**24,955**	**214,435**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

1. General Information

Avanti Communications Group plc ('the Company') is a public company incorporated and domiciled in the United Kingdom. The address of its registered office is 74 Rivington Street, London EC2A 3AY. The Company is listed on AIM.

These unaudited condensed consolidated interim financial statements were approved for issue on 14 February 2011.

2. Basis of Preparation

These unaudited condensed consolidated financial statements ("the financial statements") for the six months ended 31 December 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2010, except as described below.

The financial statements have not been audited or reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The audited statutory accounts for the year ended 30 June 2010 were approved by the Board of Directors on 30 November 2010 and have been delivered to the Registrar of Companies.

3. Accounting Policies

Except as described below, the same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 30 June 2010.

The condensed consolidated financial information presented does not comply with the full disclosure requirements of all applicable IFRSs.

In addition, the following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- Amendments to various IFRSs and IASs arising from 2010
- Annual Improvements to IFRSs (effective 1 January 2010)
- Amendment to IFRS 2 Share based payments group cash-settled transactions (effective 1 January 2010)
- IFRS 1 First-time Adoption – Additional exemptions (effective 1 January 2010)
- Amendment to IAS 32 Financial instruments: Classification of rights issues (effective 1 February 2010)
- Amendment to IFRS 1: 'First time adoption' – financial instrument disclosures (effective 1 July 2010)
- IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010)

4. Segmental reporting

The Group has adopted IFRS 8, 'Operating Segments', in the financial year commencing 1 July 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (the Avanti Executive Board) to allocate resources and assess performance.

All resources are allocated on the basis of satellite services. As a result, Avanti Communications Group plc are disclosing one segment being satellite services.

5. Taxation

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2011 is 22.5% (the estimated tax rate for the six months ended 31 December 2010 was 22.5%).

6. Earnings per share

The calculations of the earnings per ordinary share are based on the profit on the ordinary earnings after taxation and the weighted number of shares in issue in the reporting period.

	Unaudited Half year 31 Dec 10 £'000	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Loss attributable to equity holders	**(4,866)**	(270)	(1,932)
Weighted average number of ordinary shares for the purpose of basic earnings per share	79,421,426	41,809,357	52,430,725
Dilutive effect of share options	4,551,186	3,112,708	3,813,258
Weighted average number of ordinary shares for the purpose of diluted earnings per share	83,972,612	44,922,065	56,243,983
Loss per share	(6.13p)	(0.65p)	(3.68p)
Diluted loss per share	(6.13p)	(0.65p)	(3.68p)

7. Other operating income

	Unaudited Half year 31 Dec 10 £'000	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Exchange gain on trade receivables and payables	198	159	426
Liquidated damages received	-	1,601	3,202
Total other operating income	**198**	**1,760**	**3,628**

Liquidated damages were received from Astrium due to the late delivery of HYLAS 1 in November 2009. These damages compensated for the additional costs incurred as a result of the late delivery of the satellite and were recognised on a straight-line basis over the additional period that the incremental running costs were being incurred. All liquidated damages had been recognised in the income statement by 30 June 2010.

8. Financing exchange and derivatives

	Unaudited Half year 31 Dec 10 £'000	Unaudited Half year 31 Dec 09 £'000	Audited Year ended 30 Jun 10 £'000
Fair value gain on derivatives	91	528	972
Financing exchange loss	-	(472)	-
Financing exchange and derivatives	**91**	**56**	**972**

9. Property, plant and equipment

During the period, additions to property, plant and equipment totalled £102.4 million. The additions relate to capitalised costs associated with the launch and construction of the HYLAS 1 and HYLAS 2 satellites.

10. Trade and other receivables

Space Explorations Inc (“SpaceX”)

The group continues to carry a receivable of $7.6 million, under “other receivables” which was first recognised in June 2009. This amount is due from SpaceX, who Avanti originally contracted to launch HYLAS 1 on its Falcon 9 launch vehicle. However, as SpaceX had failed to generate the required launch heritage Avanti cancelled the launch services, as provided within the contract, and the monies previously paid were due to be refunded. SpaceX failed to make the required refund and the dispute was taken to arbitration in New York. The arbitrators are due to give their binding ruling in early 2011. The directors are confident that the monies will be recovered and no provision will be necessary.

11. Capital commitments

As at 31 December 2010 The Group had authorised and contracted for satellite expenditure totalling $81.3m in relation to the Hylas 2 satellite. There were no other capital commitments (2009: £21.9m in relation to Hylas 1).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm, to the best of their knowledge, that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

By order of the Board

David Williams
Chief Executive

14 February 2011

Nigel Fox
Finance Director

14 February 2011