March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

12. Financial instruments (cont'd.)

Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature involving uncertainties and significant judgment.

The carrying values of financial instruments included in current assets and current liabilities in the consolidated balance sheets approximate their fair values, reflecting the short-term maturity and normal trade credit terms of these instruments. The fair value of the long-term debt is based on current pricing of financial instruments with comparable terms. This fair value reflects a point-in-time estimate that may not be relevant in predicting the Corporation's future income or cash flows. As at March 31, 2008 and December 31, 2007, the estimated fair value of the floating rate long-term debt corresponds to its carrying value. The fair value of the $150 million senior unsecured notes as at March 31, 2008 was $152.6 million (December 31, 2007 - $158.3 million).

13. Commitments and contingencies

Commitments

The estimated future minimum payments for operating leases, maintenance contracts, committed capital expenditures and purchase obligations for the next five years and thereafter from March 31, 2008 are $81.9 million, payable as follows:

2009	**$40.6**
2010	**$19.0**
2011	**$ 6.4**
2012	**$ 4.5**
2013	**$ 2.5**
Thereafter	**$ 8.9**

Telecommunications agreements

The Corporation is party to various telecommunications service agreements in the normal course of business, as required to interconnect with other carriers and to allow Stratos to provide diverse multi-network telecommunications services to its customers. These agreements are subject to normal commercial terms as negotiated from time to time, which establish the terms of service and settlement with regards to interconnection and other services provided.

Contingencies

In the normal course of operations, the Corporation is subject to litigation and claims from third parties, customers, suppliers, and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

14. Related party transactions

In the normal course of operations, the Corporation engages in transactions with its equity owned investee, Navarino Telecom SA and NTS Maritime Limited (together, "Navarino"). These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Revenue from the related party for the three months ended March 31, 2008 was $5.0 million (2007 - $4.5 million). The amount receivable from the related party at March 31, 2008 was $7.4 million (December 31, 2007 - $7.0 million).

As described in Note 15, Inmarsat plc is required to consolidate the financial results of CIP Canada Investment Inc. ("CIP Canada"), which include the results of the Corporation. As such, the Corporation considers transactions with Inmarsat plc to meet the definition of a related party transaction under CICA Handbook Section 3840 "Related Party Disclosures". Transactions with Inmarsat plc represent purchases of airtime and are measured at the amounts exchanged. Total costs of goods and services related to purchases of airtime from Inmarsat plc for the three months ended March 31, 2008 were $53.6 million. The amount payable to Inmarsat plc at March 31, 2008 was $70.2 million.

15. Arrangement Transaction with CIP Canada

On December 11, 2007, the Corporation completed an Arrangement Agreement (the "Arrangement Agreement") and was acquired by CIP Canada, a wholly-owned subsidiary of Communications Investments Partners Limited ("CIP"), a professional investment company with a focus on satellite services.

Under the terms of the Arrangement Agreement, CIP Canada acquired beneficial ownership of 100 percent of the Corporation's common shares through a plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement"). The transaction was indirectly financed by Inmarsat Finance III Limited ("Inmarsat III"), a wholly-owned subsidiary of Inmarsat plc. CIP granted Inmarsat III an option (the "Call Option") to acquire the entire issued share capital of CIP Canada. The Call Option is only exercisable after April 14, 2009, when certain of Inmarsat's distribution agreements expire, and terminates on December 31, 2010. Following the acquisition of the Corporation by CIP Canada, and until such time as a decision is made to exercise the Call Option, Inmarsat plc has no control over the financial and operating policies and decisions of the Corporation, which has continued its current operations and business as usual since the acquisition. The Corporation's shares acquired under the Arrangement are registered in the name of, and under the control and direction of, an independent third party trustee pending the exercise of the Call Option.

Although Inmarsat plc does not hold an equity interest in, nor have any control over the financial and operating policies of CIP Canada, it is required to consolidate the financial results of CIP Canada, which include the financial results of the Corporation, as it is deemed to bear the risks and economic benefits of CIP Canada by virtue of the combination of the loan facility to CIP and the Call Option.

March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

16. Employee future benefits

a) Defined benefit plans

The Corporation's net benefit costs related to defined benefit pension plans for the three months ended March 31, 2008 was nil (2007 - $0.1 million).

b) Defined contribution plans

The Corporation contributes to multiple defined contribution plans, including a multi-employer plan. The Corporation's defined contribution plan expense for the three months ended March 31, 2008 was $0.8 million (2007 - $0.7 million).

17. Differences between Canadian and United States generally accepted accounting principles

The financial statements have been prepared in accordance with Canadian GAAP which differ in certain respects from those principles that the Corporation would have followed had its financial statements been prepared in accordance with U.S. GAAP. This note summarizes these differences as they relate to the Corporation.

a) The reconciliation of net earnings (loss) in accordance with Canadian GAAP to conform to U.S. GAAP for the three months ended March 31 is as follows:

	2008	2007
Net earnings (loss) in accordance with Canadian GAAP	**$ 670**	$ (4,226)
Stock-based compensation costs (iii)	**-**	(99)
Net earnings (loss) in accordance with U.S. GAAP	**$ 670**	$ (4,325)

The impact of these adjustments on the shareholders' equity accounts of the Corporation at March 31 is as follows:

	2008	2007
Shareholders' equity in accordance with Canadian GAAP	**$ 200,273**	$ 194,513
Business combinations (ii)	**(20,802)**	(20,802)
Income tax impact of the above (i, ii, iii)	**6,027**	6,027
Shareholders' equity in accordance with U.S. GAAP	**$ 185,498**	$ 179,738

The components of shareholders' equity at March 31 are as follows:

	2008	2007
Capital stock	**$ 218,191**	$ 218,191
Deficit	**(31,936)**	(38,840)
Contributed surplus (iii,v)	**5,303**	4,055
Accumulated other comprehensive loss (v)	**(6,060)**	(3,668)
Shareholders' equity in accordance with U.S. GAAP	**$ 185,498**	$ 179,738

March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

17. Differences between Canadian and United States generally accepted accounting principles (cont'd.)

The balance sheets in accordance with U.S. GAAP at March 31, 2008 and December 31, 2007 are as follows:

	2008		2007	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
Assets				
Current				
Cash and cash equivalents	**$ 54,808**	**$ 54,808**	$ 63,878	$ 63,878
Accounts receivable	**95,966**	**95,966**	89,233	89,233
Unbilled revenue	**36,174**	**36,174**	34,263	34,263
Derivative instruments (i)	**-**	**-**	69	69
Inventory	**10,131**	**10,131**	10,930	10,930
Prepaids and other	**19,059**	**19,059**	19,620	19,620
Future income taxes	**3,460**	**3,460**	3,553	3,553
	219,598	**219,598**	221,546	221,546
Derivative instruments (i)	**-**	**-**	44	44
Investments	**6,756**	**6,756**	6,755	6,755
Assets held for sale	**1,881**	**1,881**	-	-
Capital assets	**120,192**	**120,192**	126,117	126,117
Goodwill and other intangible assets (ii)	**394,078**	**373,276**	396,783	375,981
Other assets (i)	**1,246**	**11,639**	1,270	12,131
	$ 743,751	**$ 733,342**	$ 752,515	$ 742,574
Liabilities				
Current				
Payables and accruals (iv)	**$ 132,588**	**$ 126,164**	$ 135,662	$ 129,182
Derivative instruments (i)	**2,504**	**2,504**	824	824
Deferred revenue	**11,426**	**11,426**	11,017	11,017
Current portion of long-term debt	**2,397**	**2,397**	11,649	11,649
	148,915	**142,491**	159,152	152,672
Long-term debt (i)	**349,198**	**359,591**	350,781	361,642
Other liabilities (iv)	**16,630**	**23,496**	14,037	20,970
Future income taxes (iv)	**28,205**	**21,736**	27,478	20,998
Total liabilities	**542,948**	**547,314**	551,448	556,282
Non-controlling interest	**530**	**530**	448	448
Shareholders' equity	**200,273**	**185,498**	200,619	185,844
	$ 743,751	**$ 733,342**	$ 752,515	$ 742,574

March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

17. Differences between Canadian and United States generally accepted accounting principles (cont'd.)

Following are statements of operations for the three months ended March 31 in accordance with U.S. GAAP:

	2008	2007
Revenue	$ 147,502	$ 144,589
Cost of goods and services	107,565	108,406
Gross margin	39,937	36,183
Selling, general and administrative	15,883	15,435
Rental expense	2,164	2,212
Bad debt expense	333	19
Depreciation and amortization	10,046	10,194
Equity in earnings of investee	(234)	(294)
Foreign exchange (gain) loss	(172)	130
Non-controlling interest	82	(96)
Other costs (income)	743	4,479
	28,845	32,079
Earnings from operations	11,092	4,104
Interest expense	8,515	8,215
Earnings (loss) before income taxes	2,577	(4,111)
Income tax expense	1,907	214
Net earnings (loss)	$ 670	$ (4,325)
Basic and diluted earnings (loss) per share in accordance with U.S. GAAP	$ 0.02	$ (0.10)

i) Financial instruments

Effective January 1, 2007, the Corporation adopted Section 3855 of the CICA Handbook. Consistent with U.S. GAAP, Canadian GAAP now requires all derivatives be recorded on the balance sheet at fair value. The interest rate swap transactions described in Note 12 meet the criteria for hedge accounting and are accounted for as hedges under Canadian and U.S. GAAP. In prior periods, Canadian GAAP did not require the balance sheet recognition of derivatives designated as hedges.

Under Canadian GAAP, Section 3855, transaction costs relating to financial instruments are capitalized and consequently are classified as other financial liabilities and applied against the carrying amount of the related financial liability and amortized into income using the effective interest rate method. Under U.S. GAAP, transaction costs are recognized as deferred assets and amortized to earnings using the effective interest rate method. While this difference has no impact on the statement of operations in the current or future periods, it does create a classification difference on the balance sheet.

17. Differences between Canadian and United States generally accepted accounting principles (cont'd.)

In addition, in connection with the equity offering of common shares in 2002, the Corporation entered into a forward exchange contract in order to fix the U.S. dollar value of the anticipated net proceeds from the offering. Under Canadian GAAP, this forward contract was accounted for as a hedge of the Canadian dollar denominated net proceeds from the offering. Therefore, the proceeds from the offering were credited to capital stock at the contracted exchange rate. Under U.S. GAAP, this forward exchange contract did not meet the criteria necessary to be classified as a hedge. Therefore, under U.S. GAAP, the proceeds from the offering were recorded at the exchange rate prevailing at the date the proceeds were received, and the loss on the forward exchange contract was charged to earnings in 2002.

ii) Business combinations

As part of the business combinations completed prior to January 1, 2001, transition and integration costs, employee retention bonuses, and impairments in value of certain redundant assets of the Corporation related to business combinations were included as acquisition costs and accounted for using the purchase method. Under U.S. GAAP, transition and integration costs and asset impairment losses related to redundant assets of the acquirer corporation are expensed as incurred. Accordingly, the goodwill related to these acquisitions under U.S. GAAP is lower than that recorded under Canadian GAAP.

iii) Stock-based compensation costs

During 2003, the Corporation elected to adopt the fair value method of accounting for stock options granted to directors, officers and employees on or after January 1, 2003 under Canadian GAAP.

In accordance with the transitional provisions available under Canadian GAAP, the Corporation provides pro forma disclosures of net earnings and related per share amounts using the fair value method of accounting for such stock options granted in 2002.

Effective January 1, 2006, the Corporation adopted the fair value recognition provisions of SFAS 123 (R), "*Share-Based Payment*", using the modified prospective transition method. Stock-based compensation expense recognized for the three months ended March 31, 2007 includes compensation cost for all stock options issued prior to January 1, 2006 but not yet vested as of January 1, 2006 as well as compensation cost for options issued on or after January 1, 2006.

iv) Income taxes

The Corporation adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", or FIN 48, on January 1, 2007. FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in

March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

17. Differences between Canadian and United States generally accepted accounting principles (cont'd.)

the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

Although the implementation of FIN 48 did not impact the amount of the Corporation's liability for unrecognized tax benefits, the Corporation reclassified $6.9 million of its liability for unrecognized tax benefits from payable and accruals and future income taxes to other long term liabilities to conform with the balance sheet presentation requirements of FIN 48.

The Corporation files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. Various jurisdictions' tax years remain open for examination for varying periods.

During the year ended December 31, 2007, the unrecognized tax benefit decreased by $1.3 million as the 2003 taxation year became statute barred in one of the Corporation's reporting jurisdictions.

During the three months ended March 31, 2008, the unrecognized tax benefit decreased by $0.2 million as a result of the impact of foreign exchange on some of the amounts.

The Corporation recognizes interest accrued related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2007, interest accrued was approximately $1.2 million. No penalties have been accrued. Additional interest of $0.2 million was accrued in the three months ended March 31, 2008.

Liability for unrecognized tax benefits

	2008
Opening balance	$ 6,933
Additional interest accrued	151
Foreign exchange adjustment	(219)
Ending balance	$ 6,865

v) Change in reporting currency

Effective January 1, 2001, the Corporation changed both its functional and reporting currencies from the Canadian dollar to the U.S. dollar. Under Canadian GAAP, financial statements of all periods prior to January 1, 2001 were translated into U.S. dollars in accordance with the translation of convenience method using the exchange rate as at December 31, 2000.

Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2008 (U.S. dollars; tabular amounts in thousands except share and per share amounts)

17. Differences between Canadian and United States generally accepted accounting principles (cont'd.)

Under U.S. GAAP, these prior period financial statements are translated into U.S. dollars using the current rate method, as if the reporting currency had always been the U.S. dollar. The application of this change resulted in differences in individual balances within shareholders' equity between Canadian and U.S. GAAP as of January 1, 2001; however, total shareholders' equity was unchanged.

Accumulated other comprehensive loss includes $3.8 million which arose as a result of this translation method. This amount has not changed since January 1, 2001.

b) There are certain differences under U.S. GAAP as a result of other reconciling items. A summary cash flow statement for the three months ended March 31 in accordance with U.S. GAAP is presented below.

	2008	2007
Cash flows from operating activities in accordance with U.S. GAAP	**$ 4,951**	$ 5,532
Cash flows from investing activities in accordance with U.S. GAAP	**$ (2,620)**	$ (25,474)
Cash flows from financing activities in accordance with U.S. GAAP	**$ (11,401)**	$ (2,294)

Stratos Global Corporation
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Three Months Ended March 31, 2008

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the accompanying unaudited interim consolidated financial statements and notes thereto (the "Interim Financial Statements") should be read in conjunction with our Audited Consolidated Financial Statements and related notes thereto and MD&A as at and for the years ended December 31, 2007 and 2006 (the "2007 Annual Filings"). Financial data presented in the MD&A has been prepared in accordance with Canadian Generally Accepted Accounting Principles. A reconciliation to United States Generally Accepted Accounting Principles is presented in Note 17 to our Interim Financial Statements as at and for the three months ended March 31, 2008 and 2007.

As a result of rounding adjustments, the figures or percentages presented in one or more columns included in any of the tabular presentations or information presented in this MD&A may not add up to the total for that column.

Throughout this MD&A, "we", "us", "our" and "Stratos" refer to Stratos Global Corporation and its subsidiaries and operating segments.

This MD&A contains statements and other forward looking information including, but not limited to potential future circumstances, results and developments. Forward-looking information is typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. Such statements and information are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally and may differ materially from actual future results or events. Factors which could cause results or events to differ from current expectations include, among other things: changes in our commercial relationship with Inmarsat plc, changes in technology and industry participants in the remote communications industry, major satellite system failures or natural disasters, frequent new product and service introductions, changing or evolving customer requirements, price competition, changes in product mix, general industry and global economic conditions, and our ability to sustain and improve our financial performance. For additional information with respect to certain of these risks or factors, reference should be made to our continuous disclosure materials filed with the Canadian Securities Administrators.

Stratos disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by any law or regulation of any securities commission.

Reported in U.S. dollars unless otherwise stated.

This MD&A has been prepared as at April 30, 2008.

Additional information regarding Stratos, including copies of our continuous disclosure materials filed with the Canadian Securities Administrators, such as our annual information form is available on our website at www.stratosglobal.com or through the SEDAR website maintained by the Canadian Securities Administrators at www.sedar.com.

A glossary of terms used in this MD&A is included at the end of this MD&A.

Arrangement Transaction with CIP

On December 11, 2007, Stratos completed an Arrangement Agreement (the "Arrangement Agreement") and was acquired by CIP Canada Investment Inc. ("CIP Canada"), a wholly-owned subsidiary of Communications Investments Partners Limited ("CIP"), a professional investment company with a focus on satellite services.

Under the terms of the Arrangement Agreement, CIP Canada acquired beneficial ownership of 100 percent of our common shares through a plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement"). The transaction was indirectly financed by Inmarsat Finance III Limited ("Inmarsat III"), a wholly-owned subsidiary of Inmarsat plc ("Inmarsat"). CIP granted Inmarsat III an option (the "Call Option") to acquire the entire issued share capital of CIP Canada. The Call Option is only exercisable after April 14, 2009, when certain of Inmarsat's distribution agreements expire, and terminates on December 31, 2010. Following the acquisition of Stratos by CIP Canada, and until such time as a decision is made to exercise the Call Option, Inmarsat has no control over the financial and operating policies and decisions of Stratos, which has continued its current operations and business as usual since the acquisition. The Stratos shares acquired under the Arrangement are registered in the name of, and under the control and direction of, an independent third party trustee pending the exercise of the Call Option.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies of CIP, it is required to consolidate the financial results of CIP, which include the financial results of Stratos, as it is deemed to bear the risks and economic benefits of CIP by virtue of the combination of the loan facility to CIP and the Call Option.

Overview

We are a leading global provider of advanced mobile and fixed-site remote telecommunications services. We provide Internet Protocol ("IP"), high-speed data and voice services to end-users typically operating beyond the reach of traditional wireline and terrestrial wireless telecommunications networks. The primary end-users of our services consist of governmental agencies and military forces, maritime organizations and oil and gas companies.

We offer a broad portfolio of remote telecommunications solutions to our customers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators and through our owned and operated microwave and satellite telecommunications facilities. We also provide customized turnkey remote telecommunications solutions, value-added services, equipment and engineering services.

In managing our business and for reporting purposes, we divide our business into two operating segments: Mobile Satellite Services, or MSS, and Broadband Services, or Broadband.

MSS

Our MSS segment provides mobile telecommunications services, primarily over the Inmarsat satellite system. The revenue derived from services provided over the Inmarsat satellite system accounted for approximately 81% of the MSS segment's revenue and 65% of our consolidated revenue in the three months ended March 31, 2008. To provide Inmarsat services, we operate a terrestrial-based network, including land earth stations, or LESs, located in Australia, Canada, the Netherlands and New Zealand. In the first quarter of 2007, we discontinued operation of our LES located in Goonhilly, United Kingdom and transitioned the ongoing LES services to our LES in Burum, the Netherlands. Other MSS services accounted for 19% of MSS segment revenue in the three months ended March 31, 2008 and primarily consist of mobile telecommunications services sourced on a wholesale basis from mobile satellite system operators such as Iridium Satellite LLC ("Iridium"), sales of mobile terminals and equipment, accounting authority services billed to customers and other ancillary services. Other MSS services, in general, have lower gross margins than Inmarsat services.

On February 14, 2006, Stratos completed the acquisition of Xantic B.V. ("Xantic"), of the Netherlands. The acquisition strengthened Stratos' MSS presence in Europe and Asia, enhanced our leading position in North America and provided us with greater reach across key market sectors.

Broadband

Our Broadband segment provides VSAT services, with space segment sourced on a wholesale basis from a number of the leading fixed satellite system operators, with our VSAT hubs located in the United States, the United Kingdom, Germany and Russia. Our VSAT network enables integrated data and voice telecommunications between remote fixed sites and land-based offices. In addition, our Broadband segment operates what we believe to be the most extensive digital microwave network in the U.S. Gulf of Mexico, utilized primarily by oil and gas companies operating offshore rigs and platforms in the Gulf of Mexico. Our Broadband segment revenue also includes the sale and rental of equipment and repairs and maintenance associated with microwave and VSAT technologies. Our Broadband revenue also includes the provision of turnkey engineering services for construction and internal and external communication requirements.

Key Factors Affecting our Business

Our revenue, profitability and cash flow are directly affected by the price we can charge for the products and services we sell, the volumes of certain higher gross margin products relative to certain of our lower gross margin products, and the gross margins of new products we have introduced. The price and volume of the various services we sell have been influenced by several key factors, including: price competition; introduction of new services; and changes in the mix of services we sell or lease. As a result of such factors, we expect we will need to increase the volumes of airtime we sell or lease in order to grow our revenue, profitability and cash flows. A further discussion of these factors follows.

Price Competition

We believe MSS customers, particularly distributors, make purchase decisions based largely on price, as most major competitors offer similar value-added services. A significant number of our customer contracts in our MSS segment are "on-demand" contracts which, consistent with industry practice, typically have no contractual minimum purchase requirements. On-demand services provide a cost effective option for end-users with fluctuating demand requirements and most of our distributors and end-users can readily purchase some or all of their on-demand mobile satellite services from our competitors without significant additional cost or disruption of services. Both of these factors contribute to volatility in the level of certain satellite airtime services we sell to individual customers. As a result, certain of our services are subject to competitive pricing.

Revenue in both our microwave and VSAT businesses are derived from contracts of varying lengths and from non-contractual purchases of equipment and services. In our VSAT business, competitive pricing pressures during the past several years have negatively impacted our revenue. The introduction of newer IP-based satellite technology has increased the competition from VSAT providers serving the oil and gas industry. This competition has reduced prices of both equipment and space segment in our VSAT business. In addition, certain oil and gas producers have moved to lower cost and capability VSAT solutions based primarily on price. In our microwave business, we were able to increase our pricing during the latter half of 2006 and early 2007 as a result of our customers' requirements for network reliability and capability.

Introduction of New Services

Advances in satellite technologies have enabled satellite system operators to launch more sophisticated, higher-speed data services. We have observed that some of our end-use customers are migrating slowly from earlier technologies to the more sophisticated, higher-speed data services that have been recently introduced. In that regard, we have experienced, and continue to experience, a gradual migration by end-users from Inmarsat's older mobile satellite telecommunications services to the newer digital services with higher speed capabilities. With the introduction of Inmarsat's BGAN service in December 2005, FleetBroadband service in September 2007 and SwiftBroadband service in October 2007, we expect to experience further migration by end-users from legacy data products such as Inmarsat GAN to these new services and other more sophisticated, higher-speed data services expected to be introduced in the future.

Our BGAN revenue has steadily increased since introduction, reaching nearly $5.2 million during the first quarter of 2008, an increase of 60% when compared to the first quarter of 2007. The revenues from FleetBroadband and SwiftBroadband for the first quarter of 2008 were not significant due to the early stage of commercial deployment of these services. Since Inmarsat owns the LESs for its BGAN services, we expect our future gross margins associated with the revenues derived from the distribution of BGAN services, including FleetBroadband and SwiftBroadband, will be lower than for most other Inmarsat services. We believe BGAN's higher data speeds and smaller end-user terminals will encourage existing end-users to increase their usage and will also expand the market for MSS services. Growth in our Broadband segment has relied on the successful introduction of IP-based technologies for VSAT, such as the Stratos ITek VSAT product. Our objective is to increase the volumes of airtime and services we sell or lease in order to grow our revenue, profitability and cash flow.

Product Mix

During 2005 and 2006, we experienced a shift in the mix of services we were distributing from the higher margin airtime services, such as Inmarsat's high-speed digital services, to lower margin Inmarsat services, Iridium services for which we act as a non-facilities based distributor, and other MSS equipment and services. During 2007, we experienced growth in all of our Inmarsat and other MSS services revenue. During the first quarter of 2008, the volatility in certain of our higher margin Inmarsat high-speed data services has contributed to changes in our product mix. Overall, we believe we need to increase the volume of airtime we sell or lease in order to grow our revenue, profitability and cash flow. The acquisition of Xantic has significantly increased our volume of airtime for Inmarsat services.

In our Broadband segment, for the last several years we have been experiencing a decline in our microwave and related services revenue in the Gulf of Mexico. The hurricanes experienced in 2005 changed our product mix, decreasing microwave revenues while increasing VSAT revenues. In addition, we attribute the decrease in microwave revenue to the decline in oil and gas companies' exploration and development drilling activity in the shallow water areas of the Gulf of Mexico and the price competition from VSAT services. We do not purchase satellite airtime in connection with providing telecommunication services through our microwave network. As a result, a reduction in demand for our microwave services generally does not result in any significant related reduction in the cost of services and operating costs. In contrast, the increase in demand for our VSAT services results in an increase in the cost of services related to purchasing space segment from satellite operators and higher personnel costs associated with designing and delivering a customized VSAT solution. As a result, we have experienced a decline in our gross margin as a percentage of revenue as the gross margin associated with our VSAT network revenue is lower than that associated with our microwave network derived revenue.

How We Evaluate our Operating Results and Financial Condition

In our public disclosure documents, we provide certain financial and related information about our business and each of our operating segments. Our objective in providing this information is to help users of our consolidated financial statements: (i) better understand our overall performance, (ii) better assess the profitability of our two operating segments, (iii) better assess our prospects for future net cash flows, and (iv) make more informed judgments about us as a whole. In our effort to achieve this objective, we provide information about segment revenues and segment earnings because these financial measures are used by our key decision makers in making operating decisions and assessing performance. We define "segment earnings" as earnings for a segment before interest expense, depreciation and amortization, other (income) costs, non-controlling interest, equity in earnings of investee and income taxes. For additional information about our segment revenues and segment earnings, including a reconciliation of these measures to our consolidated financial statements, see note 11 to our Interim Financial Statements.

Comparison of Three Months Ended March 31, 2008 and March 31, 2007

The following table sets forth statement of operations data and key statistics for the three months ended March 31, 2008 and March 31, 2007.

	Three Months Ended March 31	
	2008	**2007**
	($ in millions, except percentages)	
Revenue		
- MSS	$ 118.8	$ 113.2
- Broadband	28.7	31.4
	147.5	144.6
Gross margin	38.4	34.8
As a % of revenue	*26%*	*24%*
Operating expenses	16.7	16.3
As a % of revenue	*11%*	*11%*
Segment earnings		
- MSS	19.2	16.3
- Broadband	2.5	2.2
	21.7	18.5
As a % of revenue	*15%*	*13%*
Interest expense	8.5	8.2
Depreciation and amortization	10.0	10.2
Other costs (income)	0.7	4.5
Non-controlling interest	0.1	(0.1)
Equity in earnings of investee	(0.2)	(0.3)
Earnings (loss) before income taxes	2.6	(4.0)
Income tax expense	1.9	0.2
Net earnings (loss)	$ 0.7	$ (4.2)

Revenue

Our total revenue for the three months ended March 31, 2008 was $147.5 million, an increase of $2.9 million, or 2% from the same period in the prior year. MSS segment revenue of $118.8 million was up $5.6 million, or 5%, from the prior year. Broadband segment revenue decreased by $2.7 million, or 9%, to $28.7 million in the first quarter of 2008 as compared to the prior year.

The increase in our MSS segment revenue for the three months ended March 31, 2008 resulted primarily from increased sales of mobile terminals and equipment and increased Iridium revenue. Traffic volumes for certain Inmarsat high speed data products and leasing revenues did increase but were offset by decreases related to other Inmarsat products resulting in the total

Inmarsat revenues for the first quarter being consistent with the revenue for the same period in the prior year.

The following table sets forth our Inmarsat revenues for the three months ended March 31, 2008 and March 31, 2007 for our key market sectors.

	Three Months Ended March 31,	
	2008	2007
Revenues	($ in millions)	
Maritime sector:		
Voice services	$ 32.5	$ 32.5
Data services	18.7	15.8
Total maritime sector	51.2	48.3
Land sector:		
Voice services	4.9	5.7
Data services	11.9	16.1
Total land sector	16.8	21.8
Aeronautical sector	7.0	6.9
Leasing	21.0	18.8
Total Inmarsat revenue	$ 96.0	$ 95.8

The increase of $2.9 million in the maritime sector for the three months ended March 31, 2008 is due primarily to the significant growth in our Inmarsat F high speed maritime service. Revenues in the land sector decreased $5.0 million for the three months ended March 31, 2008. This decrease is primarily due to decreases in GAN usage partially offset by the growth in BGAN. We experience volatility in usage patterns for GAN services used to a significant extent by our government and military customers operating in the land sector. In addition, there has been a shift of some on-demand GAN usage to leasing contracts. The $7.0 million of aeronautical revenue for the three months ended March 31, 2008 was consistent with revenue for the same period in the prior year. This was due to continually strong revenues from our Swift 64 aeronautical service. Our leasing services enjoyed growth of $2.2 million, or 12%, as a result of increased usage by government and military customers and the shift of certain on-demand GAN usage as noted above.

The decrease in our Broadband segment revenue of $2.7 million, or 9%, during the three months ended March 31, 2008 when compared to the same period in the prior year is primarily due to decreased microwave revenue as a result of lower equipment sales, service and rental revenues. There is also a decrease in VSAT revenue as a result of the expiry of certain contracts and increased competition from lower cost VSAT providers. These decreases are partially offset by increased revenue from engineering projects and a commercial settlement during the three months ended March 31, 2008 that resulted in a $0.4 million increase in revenue.

Gross Margin

Gross margin for the three months ended March 31, 2008 was $38.4 million, an increase of $3.6 million compared to the same period in 2007. As a percentage of revenue, gross margin was 26% for the three months ended March 31, 2008, compared to 24% for the three months ended March 31, 2007.

Gross margin consists of revenue less cost of goods and services. Cost of goods and services includes variable expenses such as the cost of airtime and space segment we purchase from satellite owners, cost of equipment, materials and services we re-sell, and variable labor costs related to our repair and service workforce. Cost of goods and services also includes costs such as network infrastructure operating costs, customer support center costs, telecommunications services purchased from terrestrial providers, rents and salaries that do not vary significantly with changes in our volumes of goods and services sold.

In the MSS segment, gross margin increased as a result of the growth in revenue from certain products and services as previously noted. As a percentage of segment revenue, gross margin in the MSS segment increased in the three months ended March 31, 2008 when compared to the same period in 2007 as a result of lower network infrastructure operating costs resulting from the integration of our LES network.

In the Broadband segment, gross margin increased in absolute terms and as a percentage of revenue in the first quarter of 2008 when compared to the first quarter of 2007. The gross margin for the first quarter of 2007 was reduced as a result of losses of $1.1 million related to fixed price engineering projects. The gross margin for the first quarter of 2008 increased by $0.8 million as the result of a favorable commercial settlement with a customer. This increase was partially offset by decreases in gross margin as a result of the lower revenues noted above.

Operating Expenses

Operating expenses for the three months ended March 31, 2008 of $16.7 million were $0.4 million higher than the $16.3 million for the same period in 2007. Operating expenses represented 11% of our revenue for both periods. Our operating expenses increased as a result of a management incentive plan expense during the three months ended March 31, 2008 of $2.2 million, as noted below. This increase was partially offset by decreases as a result of cost savings initiatives implemented in the prior year, primarily in the Broadband segment, lower director's fees and public company costs as a result of the Arrangement and a foreign exchange gain of $0.2 million during the three months ended March 31, 2008 compared to a foreign exchange loss of $0.1 million during the same period in 2007.

Our operating expenses include general and administrative costs associated with our corporate management and back office billing, credit, accounting and information technology operations, public company costs, costs associated with our worldwide sales and marketing organization and related legal, audit and other professional fees we require to operate our business.

As a result of the Arrangement, Stratos introduced a long-term Management Incentive Plan ("MIP") for certain senior employees. The MIP, in conjunction with a separate agreement executed between Stratos and the employee, gives the employee the right to receive cash compensation, subject to the achievement of performance targets and the conditions specified in the MIP, which will be measured and achieved annually in each of 2007, 2008 and 2009. Amounts payable under the MIP are generally expected to vest by April 30, 2010, however, awards are subject to earlier settlement under certain conditions. The deferred compensation arrangement will be recognized over the vesting period. The amount of compensation expense recorded in operating expenses during the three months ended March 31, 2008 was $2.2 million.

Segment Earnings

MSS segment earnings increased $2.9 million, or 18%, to $19.2 million in the three months ended March 31, 2008 from the $16.3 million achieved in the same period in the prior year. The increase was primarily a result of the increase in gross margin partially offset by the increase in the operating expenses. As a percentage of revenue, MSS segment earnings represented 16% of the MSS segment revenue in the three months ended March 31, 2008 compared to 14% in the same period in 2007. When compared to the same period in the prior year, MSS segment earnings as a percentage of revenue increased for the three months ended March 31, 2008 as a result of the increased gross margin percentage.

Due to the reset of the Inmarsat volume discount arrangements in the first quarter of the year, MSS gross margin and segment earnings are expected to increase in subsequent quarters of 2008 as higher volume discounts are achieved. Volume discounts received for the first quarter of 2008 were $1.9 million. Volume discounts are expected to be significantly higher in the third and fourth quarters of 2008 as cumulative volumes achieved result in higher discounts when compared to Inmarsat's undiscounted prices. Based on our current expectations of the volume and mix of Inmarsat services for the remainder of 2008, we estimate that the total Inmarsat volume discounts for the remainder of 2008 will be approximately $20.5 million to $23.5 million. The final determination of volume discounts is dependent on future traffic volumes and, in particular, traffic volumes in our land high-speed sector.

Broadband segment earnings increased $0.3 million to $2.5 million in the three months ended March 31, 2008 from $2.2 million in the same period of the prior year. As a percentage of segment revenue, Broadband segment earnings increased to 9% for the three months ended March 31, 2008 from 7% in the same period in the prior year. The increase both in absolute terms and as a percentage of revenue is due primarily to the increase in gross margin and a reduction in Broadband operating expenses as a result of cost savings initiatives.

Interest Expense

Interest expense for the three months ended March 31, 2008 of $8.5 million reflected an increase of $0.3 million when compared to the same period in 2007. The increase was due primarily to the change in amortization of the balance in accumulated other comprehensive income related to the change in fair value of a swap transaction.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2008 decreased $0.2 million to $10.0 million compared to $10.2 million for the same period of the prior year. This decrease is due to reduced depreciation and amortization related to certain capital assets which were fully amortized during 2007.

Other Costs (Income)

Other costs (income) of $0.7 million for the three months ended March 31, 2008 included the following:

- Costs incurred for financial advisory, legal and other costs of $0.5 million in relation to the Arrangement. See "Arrangement Transaction with CIP".
- Impairment charge and costs related to assets held for sale of $0.1 million. During the three months ended March 31, 2008 we incurred legal and other costs associated with the sale of certain Broadband telecommunications equipment located in Hameln, Germany. The sale is subject to several closing conditions and is scheduled to close during the second quarter of 2008. As a result of entering into the agreement, we have recorded the net realizable value of these assets as held for sale. In the course of determining the net realizable value of the assets held for sale, we recognized an impairment charge of $0.1 million.
- Severance and other costs of $0.1 million included severance and other costs related to restructuring measures as a result of a reorganization.

Other costs (income) of $4.5 million for the three months ended March 31, 2007 consisted of the following:

- Costs incurred for financial advisory and legal services of $3.7 million in relation to the Arrangement. See "Arrangement Transaction with CIP".
- Severance and other costs of $0.8 million included severance and consultant costs related to corporate wide restructuring measures designed to reduce costs.

Income Tax

Income tax expense for the quarter ended March 31, 2008 was $1.9 million based on income before tax of $2.6 million as compared to an income tax expense of $0.2 million based on a loss before tax of $4.0 million for the quarter ended March 31, 2007.

For the three month periods ended March 31, 2008 and 2007, the difference in the effective income tax rate from the 33.5% (2007 – 36%) Canadian statutory rate is due primarily to losses incurred in various jurisdictions for which no tax benefit was recognized, expenses which are not deductible for tax purposes, as well as differences in financial reporting in some jurisdictions as compared to consolidated financial reporting. The expenses which are not deductible for tax purposes include $0.5 million during the three months ended March 31, 2008 (2007 - $3.7 million) of costs incurred in relation to the Arrangement.

Net Earnings (Loss)

We recorded net earnings of $0.7 million during the first quarter of 2008 compared to a net loss of $4.2 million for the first quarter of 2007. The basic earnings per share for the three months ended March 31, 2008 was $0.02 compared to a basic loss per share of $0.10 in the same period in the prior year.

Quarterly Information

The table below sets forth selected financial data related to our revenue, net earnings (loss) and earnings (loss) per common share for each of the eight most recently completed quarters. The financial data is derived from our interim unaudited consolidated financial statements, which are prepared in accordance with Canadian GAAP.

	(U.S. Dollars; in millions, except per share amounts)			
	2008	**2007**		
	Mar. 31	**Dec. 31**	**Sept. 30**	**June 30**
Revenue	$ 147.5	$ 145.5	$ 154.3	$ 149.9
Net Earnings (Loss)	0.7	(9.9)	9.5	6.6
Basic and Diluted Earnings (Loss) Per Common Share	0.02	(0.24)	0.23	0.16
	(U.S. Dollars; in millions, except per share amounts)			
	2007	**2006**		
	Mar. 31	**Dec. 31**	**Sept. 30**	**June 30**
Revenue	$ 144.6	$ 140.7	$ 138.6	$139.3
Net Earnings (Loss)	(4.2)	1.7	0.5	(4.1)
Basic and Diluted Earnings (Loss) Per Common Share	(0.10)	0.04	0.01	(0.10)

In the third quarter of 2006, MSS and Broadband segment revenue remained essentially consistent with the prior quarter. Revenue in the fourth quarter of 2006 increased compared to the prior quarter primarily due to increased microwave equipment sales to a customer in the Gulf of Mexico. Revenues in the first quarter of 2007 increased 3% when compared to the prior quarter due mainly to increased volume in certain Inmarsat products, especially GAN, Fleet, Swift 64 and BGAN. Revenues in the second quarter of 2007 increased a further 4% when compared to the prior quarter due mainly to continued increased volume in certain Inmarsat products, especially GAN and Fleet, offsetting reduced microwave equipment sales. The revenues in the third quarter increased a further 3% compared to the prior quarter. This increase was due mainly to increased sales of mobile terminals and equipment and increased Iridium revenue in our MSS segment as well as increased engineering project revenue in our Broadband segment. Revenues in the fourth quarter of 2007 decreased by 6% compared to the revenues of the prior quarter. This decrease was primarily due to a decrease in volume of certain Inmarsat products, especially GAN, in our MSS segment and decreased engineering project revenue in our Broadband segment. Revenues in the first quarter of 2008 increased 1% when compared to the prior quarter due mainly to increases in leased capacity revenue and increased volume in certain other Inmarsat products, especially Fleet and Swift 64, partially offset by a decrease in volume of certain other Inmarsat products, primarily GAN.

Inmarsat volume discount arrangements become effective on January 1st of each year. As a result of accumulated volumes in the first, second, third and fourth quarters of 2006, including the additional volumes from Xantic, we achieved combined reductions in the cost of goods and services of approximately $1.5 million, $4.3 million, $7.4 million and $9.2 million, respectively, when compared to undiscounted rates. In addition, the third quarter of 2006 was positively impacted by approximately $2.6 million as a result of a favorable commercial settlement and adjustments to satellite airtime volume discounts of which $2.1 million related to prior fiscal years. With the annual reset of the volume discount arrangements on January 1, 2007, costs of goods and services in the MSS segment for the first quarter of 2007 increased $7.2 million when compared to the fourth quarter of 2006. As a result of accumulated volumes in the second and third quarters of 2007, we achieved reductions in the cost of goods and services of approximately $4.6 million and $3.5 million, respectively, when compared to similar costs in the immediately preceding quarter. In the fourth quarter of 2007 the volume discounts were $0.6 million lower than those achieved in the third quarter as a result of a decrease in volume of certain Inmarsat products, especially GAN. With the annual reset of the volume discount arrangements on January 1, 2008, costs of goods and services in the MSS segment for the first quarter of 2008 increased $7.6 million when compared to the fourth quarter of 2007.

The second, third and fourth quarters of 2006 include other costs of $6.9 million, primarily related to the acquisition of Xantic. The first, second, third and fourth quarters of 2007 include other costs of $11.4 million primarily related to the Arrangement transaction which were partially offset by a gain from insurance settlements related to hurricanes Katrina and Rita. The first quarter of 2008 includes other costs of $0.7 million as outlined in "Other Costs (Income)".

Related Party Transactions

In the normal course of operations, we engage in transactions with our equity owned investee, Navarino Telecom SA and NTS Maritime Ltd (collectively referred to as "Navarino"), one of Stratos' largest distributors. Sales of airtime and equipment to Navarino for the three months ended March 31, 2008 was $5.0 million compared to $4.5 million for the same period in the prior year. These transactions are measured at the amounts exchanged. The amount receivable from Navarino at March 31, 2008 was $7.4 million compared to $7.0 million at December 31, 2007.

As outlined in "Arrangement Transaction with CIP", Inmarsat is required to consolidate the financial results of CIP, which include the results of Stratos. As such, Stratos considers transactions with Inmarsat to meet the definition of a related party transaction under CICA Handbook Section 3840 "Related Party Disclosures". Transactions with Inmarsat represent purchases of airtime and are measured at the amounts exchanged. Total costs of goods and services related to purchases of airtime from Inmarsat for the three months ended March 31, 2008 were $53.6 million. The amount payable to Inmarsat at March 31, 2008 was $70.2 million.

Liquidity and Capital Resources

Operating Activities

We generated $15.0 million in operating cash flow (before changes in non-cash working capital) during the three months ended March 31, 2008, an increase of $8.6 million from the $6.4 million generated for the three months ended March 31, 2007. This increase related to an increase in net income of $4.9 million, and an increase in non-cash charges primarily related to future income tax expense and management incentive plan expense.

We increased our investment in non-cash working capital during the quarter ended March 31, 2008 by $10.0 million. This increase resulted primarily from increases in accounts receivable and unbilled revenue resulting from the timing of certain cash collections and increased traffic volumes and a decrease in payables and accruals resulting from the timing of payments. We increased our investment in non-cash working capital during the quarter ended March 31, 2007 by $0.9. The increases primarily result from an increase in unbilled revenue as a result of increased traffic during the quarter offset by increases in accounts payable and decreases in accounts receivable due to timing of payments and certain cash collections.

Net operating cash flow for the quarter ended March 31, 2008 was $5.0 million, a decrease of $0.5 million compared with the $5.5 million generated during the same period in 2007.

Investing Activities

Cash used in investing activities was $2.6 million for the three months ended March 31, 2008, compared to an investment of $25.2 million for the same period in the prior year. The $22.6 million change was primarily due to an investment of $20.0 million in 2007 representing the payment of the final purchase price adjustment for the Xantic acquisition. Capital asset additions for the three months ended March 31, 2008 of $3.4 million decreased by $1.7 million from $5.1 million incurred in the same period for 2007. Capital asset additions for the quarter ended March 31, 2008 related primarily to investment in MSS infrastructure upgrades and Broadband equipment purchases and infrastructure upgrades. Capital asset additions for the quarter ended March 31, 2007 related primarily to investment in capital infrastructure associated with the Xantic acquisition and Broadband equipment upgrades.

Financing Activities

Financing activities used cash of $11.4 million for the three months ended March 31, 2008 compared to a use of cash of $2.6 million for the same period last year. The cash used in 2008 was primarily for the annual principal payment due on the Term B facility of $2.3 million and a payment required for excess cash flows, as described below, of $9.0 million. Cash used in the three months ended March 31, 2007 was primarily for the annual principal payment due on the Term B facility of $2.3 million.

At March 31, 2008, long-term debt (including current portion and senior unsecured notes) totaled $362.0 million and shareholders' equity totaled $200.3 million. At December 31, 2007, long-term debt (including current portion and senior unsecured notes) totaled $373.3 million and shareholders' equity totaled $200.6 million. The long-term debt to equity ratio was 1.8:1 at March 31, 2008 and 1.9:1 at December 31, 2007.

Cash, Short-Term and Long-Term Borrowings

At March 31, 2008, we held cash and short-term investments of $54.8 million. This was a decrease of $9.1 million from the December 31, 2007 cash and short-term investment balance of $63.9 million. This decrease resulted primarily from payments on long-term debt of $11.3 million and capital expenditures of $3.4 million partially offset by cash provided by operations for the three months ended March 31, 2008.

In connection with the acquisition of Xantic on February 14, 2006, we incurred long-term debt in order to refinance our existing senior credit facilities and fund the purchase price of Xantic paid at closing, as well as transaction and integration costs. Effective February 13, 2006, our refinanced senior secured credit facilities consisted of: (i) a five year $25.0 million revolving operating facility; (ii) a five year undrawn Term A facility of up to $20.0 million; and (iii) a six year Term B facility of $225.0 million. In addition, on February 13, 2006 we issued $150.0 million of 9.875% senior unsecured notes due in 2013. On January 31, 2007, we terminated the undrawn Term A facility which was only available to fund purchase price adjustments related to the Xantic acquisition. On February 2, 2007, the Xantic purchase price adjustment of $20.0 million was funded from cash on hand. The refinanced senior credit facilities were provided by a syndicate of financial institutions. No amounts have been drawn under the new revolving operating facility. The terms of our refinanced senior credit facilities and the senior unsecured notes are described in Note 9 to our Consolidated Financial Statements for the year ended December 31, 2007 and 2006 included in the 2007 Annual Filings.

In addition to scheduled repayments, a stated percentage of excess cash flows, as defined in the credit agreement, are to be applied to indebtedness outstanding under the Term B facility. Based on the calculation of excess cash flows for the year ended December 31, 2007, we were required to make a payment of $9.0 million against principal during the first quarter of 2008.

We believe our cash and cash equivalents, the cash flow from operations and the available $25.0 million of revolving operating facility will provide the resources required to meet our expenditure requirements for the foreseeable future. Expenditure requirements include working capital requirements, debt service, and ongoing capital expenditure requirements.

Contractual Obligations

A summary of our total contractual obligations and commercial commitments to make future payments as at March 31, 2008 is presented in the table below.

		Payments due by March 31 ($ in millions)					
Contractual obligations	**Total**	2009	2010	2011	2012	2013	Thereafter
Long-term debt [1]	**$ 362.0**	$ 2.4	$ 2.4	$ 2.4	$ 204.8	$ 150.0	$ -
Operating leases	**23.4**	4.2	3.0	2.8	2.5	2.0	8.9
Maintenance contracts	**0.6**	0.6	-	-	-	-	-
Capital expenditure obligations	**0.2**	0.2	-	-	-	-	-
Purchase obligations [2]	**57.8**	35.7	16.0	3.6	2.0	0.5	-
Other obligations	**18.5**	2.4	4.0	1.7	1.6	1.2	7.6
Total contractual obligations	**$ 462.5**	$ 45.5	$ 25.4	$ 10.5	$ 210.9	$ 153.7	$ 16.5

(1) Excludes interest.

(2) Purchase obligations are related primarily to space segment costs and will be funded from contracts to provide space segment and related services to our customers.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Outstanding Share Capital

We are authorized to issue an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares. As at March 31, 2008, we had issued and outstanding 42.0 million (2007 – 42.0 million) common shares with a stated value of $216.2 million (2007 - $216.2 million). No preferred shares have been issued.

Critical Accounting Estimates

The preparation of our Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from these estimates could have a significant adverse effect on operating results and financial position. Our critical accounting estimates are discussed in the MD&A contained in our 2007 Annual Filings.

Risk and Risk Management

Foreign Currency Exchange Rate Risk

We prepare our consolidated financial statements in U.S. dollars and each of our subsidiaries operates with U.S. dollars as the functional currency as a substantial portion of our business is conducted in U.S. dollars. By virtue of our international operations, we conduct business in a number of foreign currencies other than the U.S. dollar. Transactions which have occurred in currencies other than U.S. dollars have been converted to U. S. dollars at the exchange rate in effect at the transaction date. Carrying values of monetary assets and liabilities in currencies other than U.S. dollars have been converted at the U.S. dollar exchange rate at the balance sheet date with the resulting gain or loss included in income.

Our exposure to foreign currencies is limited due to the substantial portion of our customer contracts, major expenditures and debt denominated in U.S. dollars. To mitigate potential risks with respect to foreign currencies, our strategy has been to match cash inflows and outflows by currency, thereby minimizing net currency exposures to the greatest extent possible. Consequently, we have not entered into forward contracts to manage exposure to exchange rate fluctuations pertaining to our future net cash flows from operations. Prior to our acquisition, Xantic had entered into forward exchange contracts to manage exposure to Euros for its operations and we may do so in the future. Foreign currency exchange rate fluctuations related to the translation of transactions occurring in currencies other than U. S. dollars and foreign exchange gains and losses related to the translation of monetary assets and liabilities have not been significant in the three months ended March 31, 2008 and 2007.

To perform a sensitivity analysis, we assess the risk of loss in fair values due to the impact of hypothetical changes in foreign currency exchange rates on monetary assets and liabilities denominated in currencies other than U.S. dollars. Our primary exposures to foreign currency exchange fluctuations are Euros/U.S. dollar, Canadian dollar/U.S. dollar and pound sterling/U.S. dollar. For the three months ended March 31, 2008, the potential reduction in earnings from a hypothetical instantaneous 10% adverse change in the March 31, 2008 quoted foreign currency spot rates applied to Euro, Canadian dollar and Pound Sterling denominated monetary assets and liabilities included in the March 31, 2008 balance sheet would have been approximately $0.3 million, $0.2 million and $0.1 million, respectively.

Interest Rate Risk

Our Term B facility outstanding on March 31, 2008 bears interest based on LIBOR and therefore is affected by changes in market interest rates. As outlined in Note 12 to our Interim Financial Statements, we have entered into interest rate swap agreements to hedge a portion of our exposure to such fluctuations. The amount of our remaining variable rate debt was $20.5 million during the three months ended March 31, 2008. If the LIBOR rate was to increase by 1%, our annual net income before tax would be reduced by approximately $0.1 million based on these levels. As a result of the expiration of a swap transaction with a notional amount of $50.0 million and the repayment of $9.0 million of the senior credit facility, both occurring on March 31, 2008, the remaining amount of variable rate debt at March 31, 2008 was $61.5 million.

The foregoing risks should be read in conjunction with the additional risks relating to Stratos and the remote telecommunications industry described in the MD&A contained in our 2007 Annual Filings.

Changes in Accounting Policies

A summary of our significant accounting policies is presented in Note 2(a) to our Consolidated Financial Statements for the year ended December 31, 2007 and 2006 included in the 2007 Annual Filings. The accounting policies for the three months ended March 31, 2008 are consistent with those policies except for the changes outlined in Note 1(b) to our Interim Financial Statements which are summarized below.

Accounting Changes in 2008

On January 1, 2008, we adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, "Capital Disclosures". The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate our objectives, policies and processes for managing capital. As a result of implementing this standard, we have included the additional disclosure in Note 10 to our Interim Financial Statements.

On January 1, 2008, we adopted the CICA Handbook Sections 3862, "Financial Instruments – Disclosure" and 3863, "Financial Instruments – Presentation". These sections replace existing Handbook Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires disclosure by class of financial instruments that enables users to evaluate the significance of financial instruments for our financial position and performance. Disclosures are also required of qualitative and quantitative information that enable users of financial statements to evaluate the nature and extent of our exposure to the risks arising from financial instruments, specifically credit risks, liquidity risks and market risks and how we manage those risks. As a result of implementing this standard, we have included additional disclosure in Note 12 to our Interim Financial Statements.

Section 3863 carries forward the presentation requirements of Section 3861 that we had already adopted. As a result, the adoption of this Section had no impact on our Interim Financial Statements.

On January 1, 2008, we adopted CICA Handbook Section 3031, "Inventories", which has replaced Section 3030 with the same title. The new section establishes that inventory should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. The adoption of this Section had no impact on our Interim Financial Statements.

Glossary of Terms for Management's Discussion and Analysis of Financial Condition and Results of Operations

BGAN
An acronym for Broadband Global Area Network, a Stratos-provided Inmarsat service launched in December 2005, providing high-speed IP based data capabilities.

Broadband
A transmission system that multiplexes multiple independent signals onto one cable. In telecommunications terminology, any channel having a bandwidth greater than a voice-grade channel (4 kHz). In LAN terminology, a coaxial cable on which analog signaling is used. Also called *wideband.*

FleetBroadband
Stratos-provided Inmarsat service that provides cost-effective, high-speed data and voice communications, available simultaneously, at speeds up to 432 kbps. It also provides on-demand guaranteed IP data rates, regardless of the vessel's location. It will use stabilized, compact directional antennas, which will vary in size and weight but will be smaller than most existing Fleet products.

Fleet F77, F55 and F33
Stratos-provided Inmarsat services that offer highly advanced communications capabilities, including voice, HSD and packet data services for the marine market while at the same time lowering service costs. These services give shipboard crew members the same global access to voice and data communications as any major land-based office. F77 is designed for large vessels, while F55 and F33 offer lighter weight antennas to serve medium- and small-sized vessels, respectively.

GAN
An acronym for Global Area Network, a Stratos-provided Inmarsat service providing global, mobile, high-speed data and voice communications primarily in land based applications.

Hubs
A fixed antenna used to send and receive satellite transmission signals, interconnecting telecommunications between a satellite and VSATs.

Inmarsat®
An acronym for International Maritime Satellite service that provides mobile communications for land, air and sea worldwide.

Inmarsat B, C and Mini-M
Stratos-provided legacy Inmarsat services providing voice and/or data services in land and maritime applications.

IP
Internet Protocol. Software that tracks the Internet address of nodes, routes outgoing messages, and recognizes and routes incoming messages.

Iridium®
A global mobile satellite telephone and paging service. Global coverage is provided by low-earth-orbiting satellites, allowing users to make and receive calls virtually anywhere in the world.

Microwave
A high-frequency electromagnetic wave, one millimeter to one meter in wavelength, intermediate between infrared and short-wave radio wavelengths. Can be used as a long-range voice and data communications medium.

MSV
Mobile Satellite Ventures. A satellite network that provides voice, data and wide area dispatch maritime communications services. MSV uses spot beam technology to provide secure communication for North and Central America, the northern tip of South America, the Caribbean, and Hawaii.

Regional BGAN
A Stratos-provided Inmarsat service that brings high-speed data communications to developed and developing nations in its service area, with usage charges based on the amount of data sent or received rather than the conventional "per minute" charge for satellite airtime.

StratosITek™
A Stratos-provided IP VSAT service that provides high-speed, always-on connectivity for remote-location land and maritime applications on a global scale. StratosITek offers speeds of up to 2 Mbps and is available in several configurations that allow it to be installed on maritime vessels or moved quickly and easily from location to location on land.

StratosNet®
Stratos' Internet e-mail system, *StratosNet*, is an Internet service optimized for cost-effective mobile communications through multiple mobile satellite networks. *StratosNet* provides the ability to transmit data at 2.4 kbps or higher while also gaining from the benefits of compression. *StratosNet* makes the Inmarsat-C service extremely efficient for e-mail at sea on a vessel of any size.

Swift 64™
A Stratos-provided Inmarsat service that provides global in-flight data communications services to commercial and private aircraft at speeds up to 64kbps. Swift 64 services have been designed to meet the needs of aircraft passengers, corporate users and the flight deck, and are designed to take advantage of existing Inmarsat Aero H/H+ installations already found on a large number of aircraft.

SwiftBroadband

A Stratos-provided Inmarsat service that provides cost-effective, high-speed data and voice communications, available simultaneously, at speeds up to 432 kbps. It also provides on-demand guaranteed IP data rates, regardless of the aircraft's location. The service is compatible with most government-grade encryption and secure-communications standards. It works through existing Inmarsat equipment already installed on more than 4,000 aircraft, through upgrades of existing Inmarsat Swift64 and Inmarsat Aero H/H+ installations.

VSAT

Very Small Aperture Terminal. A relatively small satellite antenna used for satellite-based point-to-multipoint data communications.