



Inmarsat Group Limited Q3 Results 2014

Third Quarter Highlights

- Total revenues \$300.6m (2013: \$306.9m)
 - Maritime up \$15.2m to \$147.6m (+11.5%); underlying growth (excl. acquisition) +2.0%
 - Government down \$17.8m to \$76.3m (-18.9%)
 - Enterprise down \$12.1m to \$40.9m (-22.8%); underlying growth (excl. disposal) +17.6%
 - Aviation up \$2.5m to \$20.7m (+13.7%)
- Global Mobile Satellite Service (MSS) revenues \$192.0m, up 2.3% (2013: \$187.6m)
- \$9.1m payment received from LightSquared
- Total EBITDA¹ \$166.0m (2013: \$168.7m)
- Profit before tax \$62.5m (2013: \$30.3m)

Operational Highlights

- Global Xpress commercial services started on Inmarsat-5 F1 on 1 July 2014
- IsatHub launched worldwide, enabling connectivity for smartphones and tablets
- Operations expanded in China, and Inmarsat office opened in Beijing

Rupert Pearce, Inmarsat's Chief Executive Officer, commented,

"Inmarsat continued to make good progress in the third quarter, delivering core business growth and moving ahead towards completion of the Global Xpress constellation.

Global Xpress service from our first Inmarsat-5 satellite was launched at the start of the quarter and is delivering operational performance ahead of expectations. Following Proton's return to flight in the quarter, and a second successful launch in October, we currently expect our two remaining I-5 satellites to launch in early 2015. This puts us on track for global introduction of GX services early in the second half of 2015, and we remain confident that we will deliver our 2014–16 MSS revenue growth target of 8-12%, and generate annual GX revenues of \$500m by the fifth anniversary of the launch of global GX services.

All of our businesses performed in line with our expectations during the quarter. Underlying revenue growth continued in Maritime, Enterprise and Aviation (excluding the impact of acquisitions and disposals) driven by customer growth and higher ARPU across many of our product ranges. In Government we saw the continuing revenue impact of budgetary pressures and reduced operational requirements, partially offset by encouraging developments in the newer markets we are targeting."

Outlook

The trading environment seen in the third quarter is expected to continue through the remainder of 2014, with continuing weakness in Government and underlying revenue growth in our other three businesses (excluding the impact of acquisitions and disposals).

¹ EBITDA is defined as profit before finance income and expenses, taxation, depreciation and amortisation, losses on disposal of assets, impairment losses and share of profit of associates.

We now anticipate that operating costs in the full year 2014 will be slightly lower than previously expected.

Capex for the full year 2014 is expected to be around \$450m, and capex for the full year 2015 is expected to be in the range of \$450m-\$500m range. This profile reflects our current expectation that the two remaining Inmarsat-5 satellites will be launched in early 2015.

Our longer-term expectations remain unchanged since the Half-Year results. We continue to expect Global MSS revenues to fall within the 8% to 12% CAGR growth range for 2014-16, and we expect annual GX revenues of \$500m by the fifth anniversary of the launch of global GX services.

Results Conference Call

Inmarsat management will discuss the third quarter results in a conference call on Thursday 6 November 2014 at 0800 hrs London time. To access the call please dial +44(0)20 3450 9987. The conference id for the call is 8378701. The call will be recorded and available for one week after the event. To access the recording, please dial +44(0)20 3427 0598 and enter the access code 8378701.

A copy of this announcement for the three months ended 30 September 2014 can be found on our website at www.inmarsat.com.

Forward-looking Statements

Certain statements in this announcement constitute "forward-looking statements". These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances.

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the three months ended 30 September 2014. Inmarsat Group Limited is a wholly-owned indirect subsidiary of Inmarsat plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

All discussion of results relates to the three months ended 30 September 2014, and all comparisons are with the three months ended 30 September 2013, unless specifically stated otherwise.

OPERATING REVIEW

Overall trading environment

Recent trends in the market continued through the third quarter. Commercial market demand for global connectivity continued to grow across the board, with the requirement for more data capacity driving customer migration to higher value service propositions. At the high end of the commercial maritime market, major fleet operators require the capabilities to manage continuously increasing volumes of data traffic to and from their ships. In the aviation market, latent passenger demand for in-flight connectivity, particularly amongst younger age groups, is generating significant activity in the market, as airlines seek ways to provide this service for their passengers. In the media sector, demand for High Data Rate BGAN is growing strongly, and in other market sectors such as natural resources and transport, there is continuing growth in demand for M2M connectivity and applications.

By contrast, demand for satellite connectivity from our traditional government customers continues to decline, under the dual pressures of budgetary constraints and reduced operational requirements. Legacy contracts continue to be terminated or scaled back, and competition is intense for this business. However there are some more promising opportunities emerging, including demand from new government customers in developing countries, and new sources of demand for connectivity and value-added solutions from traditional government customers, so the longer-term outlook in the government markets is more positive.

Global Xpress Programme Update

The first Inmarsat-5 satellite was successfully launched in December 2013 and entered commercial service beginning with US Government customers on 1 July 2014. The Inmarsat-5 F2 and F3 satellites have also been completed and both are ready for shipment to the Baikonur Cosmodrome in Kazakhstan for launch on a Proton launch vehicle.

The Proton rocket successfully returned to flight in late September, after its launch failure earlier in 2014. A second successful launch was completed in October. We now expect the launch of the F2 and F3 Inmarsat-5 satellites early in 2015 and the commencement of global commercial GX services early in the second half of 2015.

European Aviation Network Programme

On 5 June 2014, we announced our decision to deploy an integrated hybrid satellite/terrestrial network to deliver aviation passenger connectivity services on an EU-wide basis. To achieve this ambition we confirmed the order of a new S-band satellite payload, called Europasat, and we expect to complement this with a fully integrated air-to-ground network across the EU.

Acquisition of licenses from Member States necessary to develop the S-Band satellite service and the aviation complementary ground component network ("ACGC") is well under way. Licenses for the satellite component of the network have been applied for in all EU Member States, and authorisation has already been received in 23 of these. The first two ground component licenses have now been received, including from one of the big five EU Member States, and good progress has been made in a number of other Member States.

Discussions with a number of major airlines and other aviation industry partners continue to make good progress.

OPERATING AND FINANCIAL REVIEW (continued)

LightSquared Cooperation Agreement

In December 2007, we entered into a Cooperation Agreement with LightSquared designed to enable ancillary terrestrial component (“ATC”) services in North America, while protecting the continued deployment and growth of our own MSS business. In May 2012, LightSquared filed for a reorganisation under Chapter 11 of the US Bankruptcy Code and is yet to complete a reorganisation process; therefore, payments from LightSquared continue to be subject to significant uncertainty.

On 31 March 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement. As a result, on 29 August 2014 we received a \$9.1m payment due from LightSquared under the terms of the Cooperation Agreement.

On 1 October 2014, we announced that a \$17.5m payment due from LightSquared on 30 September 2014 under the terms of the Cooperation Agreement had not been received and as a result we issued a default notice to LightSquared. At present, no revenue has been recognised in respect of this payment.

As at 30 September 2014, we had deferred income remaining in relation to the Cooperation Agreement of \$209.9m recorded on our balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, remains uncertain.

New Inmarsat Services

During the period, we announced the following key new services and developments aimed at broadening our customer base and increasing revenues from our existing users, across all of our Business Units:

- The expansion of availability of mobile tactical Beyond-Line-of-Sight communications to actively deployed US and coalition forces.
- The selection of Intellian to deliver XpressLink services across its FB500 antenna. XpressLink offers an upgrade path to GX and the inclusion of FB500 within the XpressLink terminal offerings further strengthens Inmarsat’s future Maritime portfolio.
- The worldwide launch of IsatHub, which will provide global connectivity for smartphones and tablets. The user’s smartphone or tablet connects via Wi-Fi to the IsatHub terminal, which is the size of a paperback book, and a choice of menu prompts and “pointing assistance” options enables them to link up with the satellite. The terminal allows multiple authorised users to use IsatHub’s satellite voice and data services at the same time.
- Hawaiian Airlines will be the first commercial airline to install Inmarsat SwiftBroadband for flight deck applications, including SB Safety for Aircraft Communications Addressing and Reporting System (“ACARS”), which provides prioritised voice and ACARS data transmission when an aircraft is out of reach of land-based communications. The enhanced features of these systems include Ethernet ports for connecting Aircraft Interface Devices and Electronic Flight Bags, which enable provision of real time information to pilots, including graphical weather updates. Hawaiian Airlines also plans to utilise the advanced aircraft tracking features of SwiftBroadband.
- Expansion of operations in China, with the opening of Inmarsat’s first office in Beijing. This includes a facility for demonstrating terminals and solutions, and end-user training, and enables closer collaboration between Inmarsat and its partners in the Chinese market.

Dividends

The Board declared and paid an interim dividend for the 2014 financial year of \$83.7m to Inmarsat Holdings Limited on 24 October 2014. Inmarsat plc used the proceeds of the dividend to fund a dividend to holders of its ordinary shares. This dividend has not been recognised as a liability as at 30 September 2014.

OPERATING AND FINANCIAL REVIEW (continued)

Change in Reporting Segments

As communicated at the Half-Year Results, for the third quarter the Group has revised its reporting segments to reflect the way the business is now managed by the Chief Executive Officer. The revised reporting segments are “Maritime”, “Government”, “Enterprise” and “Aviation” and “Central Services”. Central Services will include all other income and costs that are not directly attributable to the other individual reporting segments, including all corporate administrative costs.

The results for the prior six quarters have been restated using the new reporting segments and these are available via the Investor Relations section of our website. The third quarter results have also been reported using the previous business segments and these are presented in supplemental information at the end of this document.

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL REVIEW

During the quarter ended 30 September 2014, Group revenue decreased by \$6.3m, or 2.0%, compared with 2013, with underlying growth (excluding the impact of acquisitions and disposals) in Maritime, Enterprise and Aviation, but a continuing slowdown in our Government business. Revenues also reflected a \$5.0m increase in respect of the LightSquared Cooperation Agreement, additional revenues following our acquisition of Globe Wireless, and a reduction in revenue due to the disposal of the majority of our retail energy business to RigNet. Included in the above is an increase in Inmarsat Global MSS revenues of \$4.4m, or 2.3%.

Net operating costs decreased by \$3.6m during the quarter ended 30 September 2014, compared with 2013. This is due primarily to the sale of retail energy related assets within the Enterprise business unit, and reduced operating costs in the Government business unit due to a workforce reduction in 2013, partially offset by higher costs in the Maritime business unit as a result of the acquisition of Globe Wireless.

As a consequence, EBITDA has decreased by \$2.7m, or 1.6%, to \$166.0m (Q3 2013: \$168.7m) for the quarter ended 30 September 2014. However the EBITDA margin of 55.2% was broadly flat compared to the same period last year.

Results by Business Unit

The table below shows the Group's total revenue, EBITDA and operating result by business unit for each of the periods indicated:

(\$ in millions)	Three months ended 30 September						Total	
	Maritime 2014	Government 2014	Enterprise 2014	Aviation 2014	Central Services 2014	2014	2013	
Revenue								
MSS and other	147.6	76.3	40.9	20.7	5.3	290.8	302.1	
LightSquared	–	–	–	–	9.8	9.8	4.8	
Total revenue	147.6	76.3	40.9	20.7	15.1	300.6	306.9	
Net operating costs	(33.8)	(24.9)	(16.4)	(3.3)	(56.2)	(134.6)	(138.2)	
EBITDA	113.8	51.4	24.5	17.4	(41.1)	166.0	168.7	
EBITDA margin %	77.1%	67.4%	59.9%	84.1%		55.2%	55.0%	
Depreciation and amortisation	(7.8)	(2.6)	(0.1)	(0.5)	(65.5)	(76.5)	(60.2)	
Impairment losses	–	–	–	–	(0.1)	(0.1)	(77.0)	
Other	–	–	–	–	0.8	0.8	3.7	
Operating result	106.0	48.8	24.4	16.9	(105.9)	90.2	35.2	

(\$ in millions)	Nine months ended 30 September						Total	
	Maritime 2014	Government 2014	Enterprise 2014	Aviation 2014	Central Services 2014	2014	2013	
Revenue								
MSS and other	448.4	236.3	125.2	66.7	19.4	896.0	937.3	
LightSquared	–	–	–	–	56.9	56.9	9.9	
Total revenue	448.4	236.3	125.2	66.7	76.3	952.9	947.2	
Net operating costs	(108.2)	(77.4)	(51.2)	(7.4)	(172.9)	(417.1)	(449.4)	
EBITDA	340.2	158.9	74.0	59.3	(96.6)	535.8	497.8	
EBITDA margin %	75.9%	67.2%	59.1%	88.9%		56.2%	52.6%	
Depreciation and amortisation	(22.9)	(7.0)	(0.7)	(1.5)	(180.5)	(212.6)	(168.5)	
Impairment losses	–	–	–	–	(0.6)	(0.6)	(86.4)	
Other	–	–	–	–	1.9	1.9	5.1	
Operating result	317.3	151.9	73.3	57.8	(275.8)	324.5	248.0	

OPERATING AND FINANCIAL REVIEW (continued)

Maritime

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Revenue	147.6	132.4	11.5%	448.4	391.9	14.4%
Net operating costs	(33.8)	(24.8)	36.3%	(108.2)	(79.9)	35.4%
EBITDA	113.8	107.6	5.8%	340.2	312.0	9.0%
EBITDA margin %	77.1%	81.3%		75.9%	79.6%	
Depreciation and amortisation	(7.8)	(6.1)	27.9%	(22.9)	(17.6)	30.1%
Operating result	106.0	101.5	4.4%	317.3	294.4	7.8%

Maritime revenue for the quarter increased by \$15.2m, or 11.5%, compared with the same period of 2013. The increase includes \$12.7m due to the acquisition of Globe Wireless. Underlying revenue growth of \$2.5m or 2.0% reflects continuing strong growth of over 20% in our FleetBroadband and VSAT revenues (due to take-up of our XpressLink service), but faster decline in our legacy services, particularly Fleet, and a slower quarter for our lower margin terminal sales.

Net operating costs for the quarter increased by \$9.0m, or 36.3%, compared with the same period of 2013. This increase is primarily related to additional headcount and third party network services costs as a result of the Globe Wireless acquisition.

During the quarter, Maritime EBITDA increased by \$6.2m, or 5.8% compared to the prior year, reflecting higher gross margin from increased FleetBroadband revenue and \$2.1m of Globe Wireless EBITDA. However the EBITDA margin decreased to 77.1% due to the acquisition of the lower margin Globe Wireless business. The increase in depreciation and amortisation year-on-year is also attributable to the acquisition of Globe Wireless.

Government

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Revenue	76.3	94.1	(18.9%)	236.3	312.8	(24.5%)
Net operating costs	(24.9)	(31.0)	(19.7%)	(77.4)	(108.4)	(28.6%)
EBITDA	51.4	63.1	(18.5%)	158.9	204.4	(22.3%)
EBITDA margin %	67.4%	67.1%		67.2%	65.3%	
Depreciation and amortisation	(2.6)	(2.6)	–	(7.0)	(8.4)	(16.7%)
Operating result	48.8	60.5	(19.3%)	151.9	196.0	(22.5%)

We are continuing to see pressure on our Government business as a result of continued Government spending controls and the withdrawal of troops from Afghanistan. Government revenues for the quarter decreased by \$17.8m, or 18.9%, compared with 2013. This reduction is mainly due to lower revenue from IP managed solutions resulting from the non-renewal of certain contracts, and the renewal of other contracts at lower prices due to reduced requirements and increased competition. Also during the quarter, there were lower equipment sales, leasing revenue and BGAN and Swift 64 revenues as a result of troop withdrawals from Afghanistan.

Net operating costs were \$6.1m, or 19.7%, lower than the same period of 2013 due to the reduction in revenue, and cost savings from a workforce reduction implemented in the business during 2013, partially offset by higher operating costs from continued expansion into new geographical markets.

Government EBITDA decreased \$11.7m, or 18.5%, compared with the same quarter of 2013, primarily as a result of declining revenue. However, the EBITDA margin of 67.4% was broadly flat compared to the same period in 2013.

OPERATING AND FINANCIAL REVIEW (continued)

Enterprise

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Revenue	40.9	53.0	(22.8%)	125.2	165.0	(24.1%)
Net operating costs	(16.4)	(24.3)	(32.5%)	(51.2)	(80.2)	(36.2%)
EBITDA	24.5	28.7	(14.6%)	74.0	84.8	(12.7%)
EBITDA margin %	59.9%	54.2%		59.1%	51.4%	
Depreciation and amortisation	(0.1)	(0.7)	(85.7%)	(0.7)	(3.4)	(79.4%)
Operating result	24.4	28.0	(12.9%)	73.3	81.4	(10.0%)

Enterprise revenues for the quarter decreased by \$12.1m, or 22.8%, compared with 2013. This was primarily due to the sale of retail energy related assets within the Enterprise business unit. Excluding the impact of these disposals, revenues were up by \$6.3m (+17.6%) in the quarter, when compared with 2013. The increase is mainly attributable to increased machine to machine (“M2M”), IsatPhone and FleetBroadband airtime revenues and equipment sales, partially offset by lower total BGAN revenues. However our High Data Rate (“HDR”) service within BGAN grew strongly, with streaming minutes up substantially compared to the same period of 2013.

Net operating costs decreased by \$7.9m, or 32.5%, compared to the same period of 2013. This decrease was as a result of lower network services and employee benefit costs, primarily due to disposals of our retail energy related assets during 2014.

Enterprise EBITDA decreased by \$4.2m, or 14.6%, primarily due to the disposal of our retail energy related assets in 2014. However the sale of these lower margin energy related assets resulted in the EBITDA margin increasing to 59.9%, from 54.2% in the same quarter of 2013. The decrease in depreciation and amortisation is also attributable to disposals of the retail energy related assets.

Aviation

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Revenue	20.7	18.2	13.7%	66.7	52.1	28.0%
Net operating costs	(3.3)	(1.3)	153.8%	(7.4)	(4.0)	85.0%
EBITDA	17.4	16.9	3.0%	59.3	48.1	23.3%
EBITDA margin %	84.1%	92.9%		88.9%	92.3%	
Depreciation and amortisation	(0.5)	(0.5)	–	(1.5)	(1.5)	–
Operating result	16.9	16.4	3.0%	57.8	46.6	24.0%

Aviation revenues increased by \$2.5m, or 13.7% compared with 2013. However, the rate of growth in the quarter was lower than that experienced in the first half of 2014 because of a one-off adjustment in the third quarter, to recognise the impact of price discounts to a number of distribution partners, applied retrospectively to 1 January in return for minimum sales commitments for the whole of the year and 2015. These commitments underpin the strong underlying revenue growth rate in Aviation.

Underlying growth in the third quarter was broadly in line with the two previous quarters, with higher Classic Aero and SwiftBroadband revenues, driven by growth in terminal sales and Classic Aero ARPU. SwiftBroadband terminal numbers grew in both the business jet and commercial air transport markets, with key partners implementing a range of strategic promotions and value added solutions.

Net operating costs increased by \$2.0m compared to 2013, due mainly to higher employee related costs as resources were increased to support growth within the business.

EBITDA increased by \$0.5m, or 3.0% compared to 2013, as higher revenue more than offset higher employee related costs. However the EBITDA margin decreased to 84.1% (Q3 2013: 92.9%) due to the impact of the one-off retrospective price discount.

OPERATING AND FINANCIAL REVIEW (continued)

Central Services

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Revenue						
LightSquared	9.8	4.8	104.2%	56.9	9.9	474.7%
Other	5.3	4.4	20.5%	19.4	15.5	25.2%
Total revenue	15.1	9.2	64.1%	76.3	25.4	200.4%
Net operating costs	(56.2)	(56.8)	(1.1%)	(172.9)	(176.9)	(2.1%)
EBITDA	(41.1)	(47.6)	13.7%	(96.6)	(151.5)	36.2%
Depreciation and amortisation	(65.5)	(50.3)	30.2%	(180.5)	(137.6)	31.2%
Impairment losses	(0.1)	(77.0)	(99.9%)	(0.6)	(86.4)	(99.3%)
Other	0.8	3.7	(78.4%)	1.9	5.1	(62.7%)
Operating result	(105.9)	(171.2)	38.1%	(275.8)	(370.4)	25.6%

Central Services revenues and EBITDA for the quarter increased by \$5.9m and \$6.5m, respectively, due primarily to our LightSquared Cooperation Agreement.

Net operating costs were largely flat when compared with the same period of 2013, with employee salary cost increases offset by foreign exchange gains and lower network operations costs.

The increase in depreciation and amortisation of \$15.2m to \$65.5m (Q3 2013: \$50.3m) primarily relates to our Alphasat and Inmarsat-5 F1 satellites entering commercial service (and therefore starting to be depreciated) in November 2013 and July 2014 respectively. Impairment losses decreased by \$76.9m compared to 2013 as a result of prior year impairments which did not recur.

Reconciliation of operating profit to profit after tax

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2014	2013	Increase/ (decrease)	2014	2013	Increase/ (decrease)
Operating profit	90.2	35.2	156.3%	324.5	248.0	30.8%
Net finance expense	(27.7)	(4.9)	465.3%	(79.4)	(18.6)	326.9%
Income tax expense	(16.4)	(15.1)	8.6%	(50.9)	(78.5)	(35.2%)
Profit after tax	46.1	15.2	203.3%	194.2	150.9	28.7%

Operating profit

As a result of the factors discussed above, operating profit for the quarter was \$90.2m, an increase of \$55.0m, or 156.3%, compared with the same period of 2013.

Net finance expense

Net finance expense for the quarter ended September 2014 was \$27.7m, an increase of \$22.8m compared with the same period of 2013. The increase is primarily due to the impact of an adjustment to interest capitalised in the cost of qualifying assets. During the quarter the Group's parent entity, Inmarsat plc, recognised a non-recurring \$48.5m credit to interest expense on the convertible bonds recorded within that company. Consequently, the Group recorded an adjustment of \$14.3m to reverse interest previously capitalised in the cost of qualifying assets.

In addition, there was a decrease in capitalised interest compared to the same quarter of 2013, due to our Alphasat satellite entering commercial service in November 2013, meaning interest ceased being capitalised to the cost of the asset.

OPERATING AND FINANCIAL REVIEW (continued)

Income tax expense

The tax charge for the quarter was \$16.4m (Q3 2013: \$15.1m), an increase of \$1.3m compared with 2013. The increase in the tax charge is largely driven by the increase in profit before tax, as outlined above. Included in the tax charge for the quarter was a tax charge of \$0.2m (Q3 2013: \$8.1m) relating to non-recurring adjustments.

If the effects of the above adjustments are removed, the effective tax rate for the quarter was 25.9% (Q3 2013: 23.2%). This difference largely arises as a result of non-UK tax losses arising in the three months ended 30 September 2014, for which the benefit is not recognised. Offset against this is the impact of the reduction in the UK main rate of corporation tax from 23% to 21% on 1 April 2014.

Profit after tax

As a result of the factors discussed above, profit after tax for the quarter ended 30 September 2014 was \$46.1m (Q3 2013: \$15.2m), an increase of \$30.9m compared with the same quarter of 2013.

Group Cash Flow

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
EBITDA	166.0	168.7	535.8	497.8
Non-cash items	6.8	2.5	13.8	11.7
Change in net working capital	25.1	25.1	(47.8)	(19.4)
Cash generated from operations	197.9	196.3	501.8	490.1
Capital expenditure	(84.9)	(128.0)	(290.0)	(399.5)
Net cash interest paid	(11.2)	(12.6)	(58.2)	(58.9)
Cash tax paid	(1.1)	(1.1)	(2.9)	(15.7)
Free cash flow	100.7	54.6	150.7	16.0
Acquisition of subsidiaries and other investments	–	(0.6)	(45.5)	(3.2)
Proceeds on disposal of assets	–	–	27.0	–
Dividends paid to shareholders	–	–	(142.1)	(122.8)
Other movement including foreign exchange	–	0.1	1.3	(0.4)
Net cash flow	100.7	54.1	(8.6)	(110.4)
Opening net borrowings	1,615.2	1,354.3	1,486.8	1,188.7
Net cash flow	(100.7)	(54.1)	8.6	110.4
Other ¹	(3.2)	7.2	15.9	8.3
Closing net borrowings	1,511.3	1,307.4	1,511.3	1,307.4

During the quarter, free cash flow was \$100.7m (Q3 2013: \$54.6m), an increase of \$46.1m compared with 2013. The increase is primarily due to a reduction in capital expenditure.

Capital expenditure decreased by \$43.1m compared with 2013, primarily due to the timing of expenditure in relation to the Global Xpress programme. Additionally, capital expenditure in the quarter ended 30 September 2013 included spending on our Alphasat programme which entered commercial service in November 2013.

During the quarter, cash flow from net working capital of \$25.1m was driven primarily from collections of trade receivables during the period.

Group Liquidity and Capital Resources

At 30 September 2014, the Group had cash and cash equivalents of \$245.2m and available but undrawn borrowing facilities of \$880.8m under our Senior Credit Facility and Ex-Im Bank Facility.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event all such enquiries were settled as currently provided for, we estimate the Group would incur a cash tax outflow between now and 2016 of approximately \$125m, of which \$80m is unlikely to be incurred until early 2016. The enquiries remain ongoing at this time.

¹ Other includes impact of deferred financing costs

CONDENSED UNAUDITED FINANCIAL STATEMENTS

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED INCOME STATEMENT For the three and nine months ended 30 September (unaudited)

(\$ in millions)	Three months ended		Nine months ended	
	2014	2013 ¹	2014	2013 ¹
Revenues	300.6	306.9	952.9	947.2
Employee benefit costs	(62.5)	(59.0)	(178.0)	(177.4)
Network and satellite operations costs	(48.1)	(56.3)	(154.1)	(178.2)
Other operating costs	(31.2)	(31.4)	(107.8)	(116.0)
Own work capitalised	7.2	8.5	22.8	22.2
Total net operating costs	(134.6)	(138.2)	(417.1)	(449.4)
EBITDA	166.0	168.7	535.8	497.8
Depreciation and amortisation	(76.5)	(60.2)	(212.6)	(168.5)
Loss on disposal of assets	–	–	(0.2)	–
Acquisition-related adjustments	–	3.0	–	3.0
Impairment losses	(0.1)	(77.0)	(0.6)	(86.4)
Share of profit of associates	0.8	0.7	2.1	2.1
Operating profit	90.2	35.2	324.5	248.0
Finance income	0.5	1.0	7.1	3.2
Finance expense	(28.2)	(5.9)	(86.5)	(21.8)
Net finance expense	(27.7)	(4.9)	(79.4)	(18.6)
Profit before income tax	62.5	30.3	245.1	229.4
Income tax expense	(16.4)	(15.1)	(50.9)	(78.5)
Profit after tax	46.1	15.2	194.2	150.9
Attributable to:				
Equity holders	46.0	15.0	193.8	150.5
Non-controlling interest	0.1	0.2	0.4	0.4

¹ It is the Group's policy to reclassify, where appropriate, prior year cost allocations to conform to current year presentation. There has been a change in the allocation of costs included in network and satellite operations costs versus other operating costs effective from 1 January 2014. The change aligns the Group presentation of terminal and equipment costs within other operating costs and interconnect network costs within network and satellite operations costs. The comparative figures for the three and nine months ended 30 September 2013 included in the Income Statement above have been re-presented to reflect this change.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the three and nine months ended 30 September (unaudited)

(\$ in millions)	Three months ended		Nine months ended	
	2014	2013	2014	2013
Profit after tax	46.1	15.2	194.2	150.9
Other comprehensive (loss)/income				
Amounts subsequently reclassified to the Income Statement:				
Foreign exchange translation differences	(0.6)	0.1	(0.5)	(0.1)
Net (losses)/gains on cash flow hedges	(7.9)	13.7	(8.2)	12.7
Tax credited/(charged) directly to equity	1.5	(2.7)	1.7	(2.6)
Amounts not subsequently reclassified to the Income Statement:				
Actuarial (losses)/gains from pension and post-employment benefits	–	–	(4.0)	4.3
Tax credited/(charged) directly to equity	–	0.1	0.7	(0.9)
Other comprehensive (loss)/income for the period, net of tax	(7.0)	11.2	(10.3)	13.4
Total comprehensive income for the period, net of tax	39.1	26.4	183.9	164.3
Attributable to:				
Equity holders	39.0	26.2	183.5	163.9
Non-controlling interest	0.1	0.2	0.4	0.4

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED BALANCE SHEET

(\$ in millions)	As at 30 September 2014 (unaudited)	As at 31 December 2013 (audited)	As at 30 September 2013 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	2,554.8	2,495.9	2,369.5
Intangible assets	803.9	781.1	878.9
Investments	34.1	32.7	32.7
Other receivables	20.1	21.6	19.0
Deferred income tax assets	16.9	21.3	4.1
Derivative financial instruments	0.5	3.6	–
	3,430.3	3,356.2	3,304.2
Current assets			
Cash and cash equivalents	245.2	143.1	292.5
Trade and other receivables	275.5	281.2	253.5
Inventories	42.1	27.7	26.7
Current income tax assets	10.2	11.6	–
Derivative financial instruments	3.8	9.2	6.6
Assets held for sale	–	42.8	39.1
	576.8	515.6	618.4
Total assets	4,007.1	3,871.8	3,922.6
Liabilities			
Current liabilities			
Borrowings	135.9	71.9	56.2
Trade and other payables	505.4	569.2	641.8
Provisions	2.8	4.3	1.3
Current income tax liabilities	125.6	108.6	101.6
Derivative financial instruments	2.3	0.5	2.6
Liabilities directly associated with assets held for sale	–	19.0	14.1
	772.0	773.5	817.6
Non-current liabilities			
Borrowings	1,623.2	1,558.0	1,543.7
Other payables	26.4	26.2	25.3
Provisions	23.4	23.9	23.0
Deferred income tax liabilities	198.1	175.2	142.6
	1,871.1	1,783.3	1,734.6
Total liabilities	2,643.1	2,556.8	2,552.2
Net assets	1,364.0	1,315.0	1,370.4
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	400.8	400.6	396.5
Retained earnings	284.8	236.3	295.6
Equity attributable to shareholders of the parent	1,363.4	1,314.7	1,369.9
Non-controlling interest	0.6	0.3	0.5
Total equity	1,364.0	1,315.0	1,370.4

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the nine months ended 30 September

(US\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
Balance as at 1 January 2013 (audited)	0.4	677.4	54.8	(2.5)	0.6	0.4	327.8	263.8	1.1	1,323.8
Share options charge	–	–	5.4	–	–	–	–	0.7	–	6.1
Dividends payable	–	–	–	–	–	–	–	(122.8)	–	(122.8)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(1.0)	(1.0)
Comprehensive Income:										
Profit after tax	–	–	–	–	–	–	–	150.5	0.4	150.9
Other comprehensive profit – before tax	–	–	–	12.7	–	(0.1)	–	4.3	–	16.9
Other comprehensive profit – tax	–	–	–	(2.6)	–	–	–	(0.9)	–	(3.5)
Balance at 30 September 2013 (unaudited)	0.4	677.4	60.2	7.6	0.6	0.3	327.8	295.6	0.5	1,370.4
Balance as at 1 January 2014 (audited)	0.4	677.4	63.4	8.6	0.6	0.2	327.8	236.3	0.3	1,315.0
Share options charge	–	–	7.2	–	–	–	–	0.1	–	7.3
Dividends payable	–	–	–	–	–	–	–	(142.1)	–	(142.1)
Adjustment to transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive Income:										
Profit after tax	–	–	–	–	–	–	–	193.8	0.4	194.2
Other comprehensive loss – before tax	–	–	–	(8.2)	–	(0.5)	–	(4.0)	–	(12.7)
Other comprehensive loss - tax	–	–	–	1.7	–	–	–	0.7	–	2.4
Balance at 30 September 2014 (unaudited)	0.4	677.4	70.6	2.1	0.6	(0.3)	327.8	284.8	0.6	1,364.0

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT For the three and nine months ended 30 September (unaudited)

(US\$ in millions)	Three months ended 2014	2013	Nine months ended 2014	2013
Cash flow from operating activities				
Cash generated from operations	197.9	196.3	501.8	490.1
Interest received	0.1	0.1	0.5	0.8
Income taxes paid	(1.1)	(1.1)	(2.9)	(15.7)
Net cash from operating activities	196.9	195.3	499.4	475.2
Cash flow from investing activities				
Purchase of property, plant and equipment	(72.6)	(113.5)	(246.0)	(358.4)
Additions to capitalised development costs and other intangibles	(6.0)	(7.5)	(21.9)	(22.3)
Own work capitalised	(6.3)	(7.0)	(22.1)	(18.8)
Acquisition of subsidiaries and other investments	–	(0.6)	(45.5)	(3.2)
Proceeds on disposal of assets	–	–	27.0	–
Net cash used in investing activities	(84.9)	(128.6)	(308.5)	(402.7)
Cash flow from financing activities				
Dividends paid	–	–	(142.1)	(122.8)
Repayment of EIB Facility	–	–	(25.7)	(25.7)
Drawdown of Ex-Im Bank Facility	23.8	27.2	39.2	102.8
Repayment of Ex-Im Bank Facility	(13.4)	–	(13.4)	–
Redemption of Senior Notes due 2017	–	–	(882.8)	–
Gross issuance proceeds of Senior Notes due 2022	–	–	991.9	–
Interest paid on borrowings	(11.3)	(12.7)	(58.7)	(59.7)
Arrangement costs of financing	(2.1)	(0.9)	(11.0)	(3.5)
Intercompany funding	–	0.1	13.0	(2.1)
Other financing activities	0.5	(0.1)	1.3	(0.3)
Net cash (used in)/from financing activities	(2.5)	13.6	(88.3)	(111.3)
Foreign exchange adjustment	(0.5)	0.2	–	(0.1)
Net increase/(decrease) in cash and cash equivalents	109.0	80.5	102.6	(38.9)
Movement in cash and cash equivalents				
At beginning of period	132.8	211.1	139.2	330.5
Net increase/(decrease) in cash and cash equivalents	109.0	80.5	102.6	(38.9)
As reported on balance sheet (net of bank overdrafts)	241.8	291.6	241.8	291.6
At end of period, comprising				
Cash at bank and in hand	38.2	54.5	38.2	54.5
Short-term deposits with original maturity of less than three months	207.0	238.0	207.0	238.0
Bank overdrafts	(3.4)	(0.9)	(3.4)	(0.9)
	241.8	291.6	241.8	291.6

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The principal activity of Inmarsat Group Limited and its subsidiaries (together, the "Group") is the provision of mobile satellite communications services ("MSS").

The Group's financial results are not subject to significant seasonal trends.

These unaudited condensed consolidated financial results have been approved by the Board of Directors for issue on 6 November 2014.

The financial information presented in this release for the year ended 31 December 2013 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Principal accounting policies

Basis of preparation

The unaudited consolidated interim financial results for the quarter ended 30 September 2014 have been prepared using International Financial Reporting Standard ("IFRS") as adopted by the European Union and in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2013, and which are available on our website at www.inmarsat.com. Except as described below, the unaudited condensed consolidated interim financial statements are based upon accounting policies and methods consistent with those used and described in the Group's 2013 annual consolidated financial statements prepared under IFRS, set out on pages 8 to 60. Operating results for the quarter ended 30 September 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. The consolidated balance sheet as at 31 December 2013 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

Basis of accounting

Taxes are accrued based on management's estimated annual effective income tax rate applied to the Group's interim pre-tax income. 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:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 (revised) – Separate Financial Statements (2011) – this standard supersedes IAS 27 Consolidated and Separate Financial Statements

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

- IAS 28 (revised) – Investments in Associates and Joint Ventures (2011) – this standard supersedes IAS 28 Investments in Associates
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IAS 32 (amended) – Financial Instruments – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amended) – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (amended) – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies

The functional currency of the Company and all of the Group's subsidiaries and the presentation currency is the US Dollar, as the majority of operational transactions and borrowings are denominated in US Dollars.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best estimate of the amount, event or actions, these results ultimately may differ from those estimates.

In particular, the calculation of the Group's tax balances and of its potential liabilities or assets necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. The amounts recognised or disclosed are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

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

3. Segment information

IFRS 8, 'Operating Segments', requires reporting 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 ("CODM") to allocate resources and assess performance. The CODM is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

During the quarter ended 30 September 2014, the Group revised its operating segments to reflect the way the business is being viewed by the CODM. The revised operating segments are based on a vertical market presentation and are now aligned to four market-facing business units, being:

- Maritime, focusing on worldwide commercial maritime opportunities;
- Government, focusing on worldwide civil and military government opportunities;
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M opportunities; and
- Aviation, focusing on commercial aviation opportunities.

These four business units are supported by "Central Services" which includes satellite operations and backbone infrastructure, corporate administrative costs, and all other income that is not directly attributable to the individual business units. The four market-facing business units, together with Central Services, are the Company's reportable segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central costs, investment revenue, finance costs and income tax expense.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

The tables below represent segmental information based on the revised basis with the three and nine months ended 30 September 2013 restated accordingly.

Segment information:

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Revenues				
Maritime ¹	147.6	132.4	448.4	391.9
Government	76.3	94.1	236.3	312.8
Enterprise ²	40.9	53.0	125.2	165.0
Aviation	20.7	18.2	66.7	52.1
Central services ³	15.1	9.2	76.3	25.4
Total segment revenues	300.6	306.9	952.9	947.2
Operating profit				
Maritime ¹	106.0	101.5	317.3	294.4
Government	48.8	60.5	151.9	196.0
Enterprise ²	24.4	28.0	73.3	81.4
Aviation	16.9	16.4	57.8	46.6
Central services ³	(105.9)	(171.2)	(275.8)	(370.4)
Total segment operating profit	90.2	35.2	324.5	248.0
Unallocated				
Net interest charged to the Income Statement	(27.7)	(4.9)	(79.4)	(18.6)
Profit before income tax	62.5	30.3	245.1	229.4
Income tax expense	(16.4)	(15.1)	(50.9)	(78.5)
Profit after tax	46.1	15.2	194.2	150.9
Capital expenditure⁴	36.8	131.0	255.5	467.0

¹ Our Maritime segment includes Globe Wireless LLC ("Globe Wireless") from 1 January 2014 (see note 7).

² Our Enterprise segment excludes the majority of our retail energy business sold to RigNet, Inc from 31 January 2014.

³ Our Central services segment includes revenue and operating profit from LightSquared. In addition, central assets and related costs, such as satellites and other ground infrastructure.

⁴ Capital expenditure stated using accruals basis.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

4. Net finance income/(expense)

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Interest on Senior Notes and credit facilities	(18.9)	(22.3)	(65.1)	(65.6)
Pension and post-employment liability finance costs	0.2	–	–	–
Interest rate swaps	–	(2.4)	–	(7.1)
Unwinding of discount on deferred satellite liabilities	(0.3)	(0.5)	(1.1)	(1.4)
Amortisation of debt issue costs	(1.8)	(1.9)	(13.4)	(5.3)
Amortisation of discount on Senior Notes due 2022	(0.2)	–	(0.3)	–
Redemption premium on Senior Notes due 2017	–	–	(32.8)	–
Other interest	(1.2)	(0.8)	(3.1)	(3.1)
Finance expense	(22.2)	(27.9)	(115.8)	(82.5)
Less: Amounts included in the cost of qualifying assets	(6.0)	22.0	29.3	60.7
Total finance expense	(28.2)	(5.9)	(86.5)	(21.8)
Bank interest receivable and other interest	0.2	0.8	0.8	1.9
Net amortisation of premium on Senior Notes due 2017	–	0.4	6.0	1.2
Pension and post-employment liability finance income	0.3	(0.2)	0.3	0.1
Total finance income	0.5	1.0	7.1	3.2
Net finance expense	(27.7)	(4.9)	(79.4)	(18.6)

During the quarter the Group's parent entity, Inmarsat plc, recognised a non-recurring \$48.5m credit to interest expense on the convertible bonds recorded within that company. Consequently, the Group recorded an adjustment of \$14.3m to reverse interest previously capitalised in the cost of qualifying assets.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

5. Net Borrowings

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

(\$ in millions)	As at 30 September 2014			As at 31 December 2013		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	3.4	–	3.4	3.9	–	3.9
Deferred satellite payments	7.0	–	7.0	10.6	–	10.6
EIB Facility ⁽¹⁾	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facility ⁽²⁾	81.4	–	81.4	13.3	–	13.3
Total current borrowings	135.9	–	135.9	71.9	–	71.9
Non-current:						
Deferred satellite payments	18.8	–	18.8	23.6	–	23.6
Senior Notes due 2017 ⁽³⁾	–	–	–	850.0	(8.7)	841.3
– Net issuance premium	–	–	–	5.9	–	5.9
Senior Notes due 2022 ⁽⁴⁾	1,000.0	(8.7)	991.3	–	–	–
– Net issuance discount	(7.8)	–	(7.8)	–	–	–
EIB Facility ⁽¹⁾	150.5	(0.8)	149.7	176.2	(1.1)	175.1
Ex-Im Bank Facility ⁽²⁾	487.8	(16.6)	471.2	530.2	(18.1)	512.1
Total non-current borrowings	1,649.3	(26.1)	1,623.2	1,585.9	(27.9)	1,558.0
Total Borrowings⁽⁵⁾	1,785.2	(26.1)	1,759.1	1,657.8	(27.9)	1,629.9
Cash and cash equivalents	(245.2)	–	(245.2)	(143.1)	–	(143.1)
Net Borrowings	1,540.0	(26.1)	1,513.9	1,514.7	(27.9)	1,486.8

1. This facility matures on 30 April 2018 and became repayable in equal annual instalments on both tranches with effect from 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.
2. This \$700.0m facility is available for four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.
3. On 4 June 2014, we redeemed the entire principal amount of \$850.0m outstanding under our previous 7.375% Senior Notes due 2017. We incurred a redemption premium of \$32.8m and wrote off unamortised debt issue costs in relation to the Notes of \$7.8m. In addition, at redemption we accelerated the write-off of the net premium on the Senior Notes due 2017 to the Income Statement resulting in a credit of \$5.3m.
4. On 4 June 2014, we issued \$1 billion aggregate principal amount of 4.875% Senior Notes due 2022 (“Senior Notes due 2022”). The aggregate gross proceeds were \$991.9m, net of \$8.1m issuance discount. In addition, we capitalised \$9.2m of issuance costs in relation to the Senior Notes due 2022.
5. On 30 June 2011, the Group signed a five-year \$750.0m revolving credit facility (“Senior Credit Facility”). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 30 September 2014, there were no drawings on the Senior Credit Facility.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

6. Financial instruments fair value disclosures

The Group held financial instruments at fair value at 30 September 2014, as set out below. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Fair value measurements at the end of the reporting period were:

(\$ in millions)	As at 30 September 2014	As at 30 September 2013
Recurring fair value measurements:		
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	4.2	10.2
Forward foreign currency contracts – undesignated	0.1	0.5
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	(2.3)	(0.3)
Interest rate swap – designated cash flow hedge	–	(2.3)
Total net fair value	2.0	8.1

The fair value of foreign exchange contracts and interest rate swaps performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7.

The fair value of foreign exchange contracts is based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end.

The fair value of the interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

(\$ in millions)	Carrying value		Fair Value	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Financial liabilities:				
Senior Notes due 2022	1,000.0	–	976.3	–
Senior Notes due 2017	–	850.0	–	885.6

7. Acquisition of Globe Wireless

Effective from 1 January 2014, we acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC, for a provisional cash consideration of \$45.5m (which may change subject to the final working capital adjustment to be agreed between both parties).

Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. In the 12 months ended 30 June 2013, Globe Wireless reported revenues of \$91m and currently has an installed customer base of over 6,000 ships.

The acquisition of Globe Wireless will benefit Inmarsat's Commercial Maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The acquisition of Globe Wireless has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for the three months ended 30 September 2014 include the financial results of Globe Wireless from

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

1 January 2014 (the effective date of the transaction). Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

The allocation of the purchase consideration has not been finalised and is expected to be finalised later in 2014. The current estimate of goodwill represents the excess of the provisional purchase consideration over the provisional fair value of the assets and liabilities acquired. Qualitatively, goodwill represents, among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. The provisional goodwill balance also represents the benefit to the Group of the operating synergies and revenue growth expected from the acquisition.

The table below sets out the provisional allocation of the provisional purchase consideration to the net assets and liabilities acquired (which is subject to change):

(\$ in millions)	Book value	Provisional fair value adjustments	Provisional fair value at acquisition date
Net assets acquired:			
Intangible assets ⁽¹⁾	12.7	10.9	23.6
Property, plant and equipment	3.2	–	3.2
Other assets	0.2	–	0.2
Total non-current assets	16.1	10.9	27.0
Trade and other receivables ⁽²⁾	22.0	–	22.0
Inventories	3.7	–	3.7
Other assets	2.4	–	2.4
Total current assets	28.1	–	28.1
Trade and other payables	(14.7)	–	(14.7)
Deferred revenue	(3.0)	–	(3.0)
Other liabilities	(4.7)	–	(4.7)
Current borrowings	(0.1)	–	(0.1)
Non-current borrowings	(0.9)	–	(0.9)
Total liabilities	(23.4)	–	(23.4)
Identifiable net assets	20.8	10.9	31.7
Provisional cash consideration			45.5
Provisional goodwill recognised⁽³⁾			13.8

1. The provisional allocation of intangible assets consists of \$16.0m of customer relationships, \$3.5m for software, \$3.5m for technology and \$0.6m in relation to trade names, which are to be amortised over their useful lives of fourteen, three to five, five, and five years, respectively.
2. The provisional book value of trade receivables of \$15.7m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.
3. Of the \$13.8m provisional goodwill balance recognised 75% of the goodwill is deductible for tax purposes at the rate of 7% on a declining-balance basis.

The revenue included in the Income Statement for the nine months ended 30 September 2014 contributed by Globe Wireless since the acquisition date was \$60.2m. Globe Wireless also contributed a profit after tax of \$1.8m, during the nine months ended 30 September 2014. Globe Wireless is an established distribution partner of Inmarsat Global; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results, as the acquisition of Globe Wireless has also lead to an increase in intercompany eliminations and adjustments within the Group.

8. Contingent liability

In addition, in the ordinary course of business, the Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage and other sanctions. These matters are inherently difficult to quantify.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgement. No accurate estimation of the time required to settle this matter can currently be given.

The Group has contingent liabilities in respect of taxes for which no provisions have been made. During 2013, the Group received enquiries from Her Majesty's Revenue and Customs ("HMRC") in respect of financing arrangements which had been entered into in prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of \$18m. The Group has sought external advice and management does not believe that a material economic outflow is probable; therefore no provision has been recorded in these financial statements. However, this disclosure has been made in light of the ongoing enquiries being made by HMRC.

9. Events after the balance sheet date

Subsequent to 30 September 2014, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

SUPPLEMENTARY INFORMATION

FINANCIAL REVIEW

The results and analysis presented below are on the basis of the Inmarsat Global and Inmarsat Solutions reporting segments. In the quarter ended 30 September 2014, the Group announced that it would revise its reporting segments to better reflect the way the business is being managed. However, during the transition period, the Group will continue to present supplemental financial information on the basis of the previous reporting segments.

Inmarsat Group Results by Segment

(\$ in millions)	Three months ended			Nine months ended		
	30 September 2014	2013	Increase/ (decrease)	30 September 2014	2013	Increase/ (decrease)
Revenue						
Inmarsat Global	210.5	198.3	6.2%	662.4	602.2	10.0%
Inmarsat Solutions	178.6	188.3	(5.2%)	559.5	572.9	(2.3%)
Intercompany eliminations and adjustments	(88.5)	(79.7)	11.0%	(269.0)	(227.9)	18.0%
Total revenue	300.6	306.9	(2.1%)	952.9	947.2	0.6%
Net operating costs						
Inmarsat Global	63.8	52.0	22.7%	186.5	166.6	11.9%
Inmarsat Solutions	159.9	166.2	(3.8%)	499.3	510.6	(2.2%)
Intercompany eliminations and adjustments	(89.1)	(80.0)	11.4%	(268.7)	(227.8)	18.0%
Total net operating costs	134.6	138.2	(2.6%)	417.1	449.4	(7.2%)
EBITDA						
Inmarsat Global	146.6	146.3	0.2%	475.9	435.6	9.3%
Inmarsat Solutions	18.8	22.1	(14.9%)	60.2	62.3	(3.4%)
Intercompany eliminations and adjustments	0.6	0.3	100.0%	(0.3)	(0.1)	200.0%
Total EBITDA	166.0	168.7	(1.6%)	535.8	497.8	7.6%

Revenue by Segment

(\$ in millions)	Three months ended			Nine months ended		
	30 September 2014	2013	Increase/ (decrease)	30 September 2014	2013	Increase/ (decrease)
Inmarsat Global						
Wholesale MSS	192.0	187.6	2.3%	579.6	568.1	2.0%
LightSquared	9.8	4.8	104.2%	56.9	9.9	474.7%
Other	8.7	5.9	47.5%	25.9	24.2	7.0%
Total Inmarsat Global revenue	210.5	198.3	6.2%	662.4	602.2	10.0%
Inmarsat Solutions						
Inmarsat MSS	102.1	94.2	8.4%	316.1	287.2	10.1%
Broadband and Other MSS	76.5	94.1	(18.7%)	243.4	285.7	(14.8%)
Total Inmarsat Solutions revenue	178.6	188.3	(5.2%)	559.5	572.9	(2.3%)
Intercompany eliminations and adjustments	(88.5)	(79.7)	11.0%	(269.0)	(227.9)	18.0%
Total revenue	300.6	306.9	(2.1%)	952.9	947.2	0.6%

During the quarter, revenues from Inmarsat Global were \$210.5m, an increase of \$12.2m, or 6.2%, compared with 2013. Wholesale MSS revenues increased by \$4.4m, or 2.3%, in the same period. The remainder of the increase in total revenues in the quarter is primarily due to an increase in revenues recognised in relation to our LightSquared Cooperation Agreement.

During the quarter, revenues from Inmarsat Solutions were \$178.6m, a decrease of \$9.7m, or 5.2%, compared with the 2013. The change in revenue in the quarter is primarily due to the disposal of the retail energy business and a decrease in network services revenue in our Government business, partially offset by the inclusion of Globe Wireless.

SUPPLEMENTARY INFORMATION (continued)

Total active terminal numbers as at 30 September 2014 increased by 0.8%, compared with 30 September 2013. The table below sets out the active terminals by sector for each of the periods indicated:

(in thousands)	As at 30 September		Increase/ (decrease)
	2014	2013	
Active terminals ¹			
Maritime	188.0	189.5	(0.8%)
Land mobile	175.6	172.4	1.9%
Aviation	18.0	16.6	8.4%
Total active terminals	381.6	378.5	0.8%

Net Operating Costs by Segment

(\$ in millions)	Three months ended			Nine months ended		
	30 September	2013	Increase/ (decrease)	30 September	2013	Increase/ (decrease)
	2014			2014	2013	
Inmarsat Global						
Employee benefit costs	35.8	31.1	15.1%	95.4	89.7	6.4%
Network and satellite operations costs	14.4	11.7	23.1%	44.6	34.9	27.8%
Other operating costs	18.8	15.8	19.0%	62.9	59.2	6.3%
Own work capitalised	(5.2)	(6.6)	(21.2%)	(16.4)	(17.2)	(4.7%)
Total Inmarsat Global net operating costs	63.8	52.0	22.7%	186.5	166.6	11.9%
Inmarsat Solutions						
Employee benefit costs	26.8	27.9	(3.9%)	82.7	87.7	(5.7%)
Network and satellite operations costs ²	120.4	123.8	(2.7%)	372.3	367.0	1.4%
Other operating costs	14.5	16.0	(9.4%)	49.7	59.8	(16.9%)
Own work capitalised	(1.8)	(1.5)	20.0%	(5.4)	(3.9)	38.5%
Total Inmarsat Solutions net operating costs	159.9	166.2	(3.8%)	499.3	510.6	(2.2%)
Intercompany eliminations and adjustments	(89.1)	(80.0)	11.4%	(268.7)	(227.8)	18.0%
Total net operating costs	134.6	138.2	(2.6%)	417.1	449.4	(7.2%)

Net operating costs from Inmarsat Global increased by \$11.8m, or 22.7%, compared with the same quarter of 2013.

Net operating costs from Inmarsat Solutions decreased by \$6.3m, or 3.8%, compared with the same quarter of 2013.

¹ Active terminals is the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 30 September. Active terminals also include the average number of certain handheld terminals active on a daily basis during the final month of the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M, IsatData Pro and BGAN M2M) used to access our M2M services. At 30 September 2014, we had 288,490 (2013: 248,359) M2M terminals. In addition, we provide some M2M and IsatPhone services on a lease basis where we do not record the number of terminals being served.

² Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.