Inmarsat Group Limited Q2 Results 2014

Financial Highlights for the second quarter

- Total revenues $307.6m (2013: $326.6m)
- Inmarsat Global Wholesale MSS revenues $196.1m (2013: $195.9m)
- Adjusted¹ total revenues $305.8m (2013: $324.4m)
- EBITDA $159.9m (2013: $174.0m)
- Adjusted¹ EBITDA $158.2m (2013: $172.9m)
- Profit before tax $49.1m (2013: $112.8m)
- Issue of $1 billion 4.875% Senior Notes due 2022

Operational Highlights

- Global Xpress commercial services started on Inmarsat-5 F1 on 1 July 2014
- New European Aviation Network Programme announced
  - Memorandum of Understanding signed with British Airways to be a launch customer

Rupert Pearce, Inmarsat's Chief Executive Officer, commented, "Inmarsat continued to make good progress in the first half against a strong prior half year performance. We saw strong growth in Maritime and Aviation but continued to see slowdown in Government expenditure. We again added FleetBroadband, XpressLink and SwiftBroadband subscribers, whilst maintaining ARPU. We also announced a major new initiative to develop a combined satellite and terrestrial network to provide in-flight passenger services across Europe using our S-band spectrum licenses. Finally, we ended the period on a high note with the commercial launch of Global Xpress ("GX") services on 1 July and, following an extensive testing programme, the US Government became our first GX customer, taking service from the first day of availability. Following the recent Proton launch failure, the launch of our remaining GX satellites is likely to be delayed but we nevertheless remain very confident of the medium-term growth opportunities for the company."

Outlook

Whilst our medium-term expectations for the take-up of GX services remain unchanged, the recent Proton launch failure has delayed the launch of the second and third Inmarsat-5 satellites and hence the start of GX services on a global basis. We therefore expect that GX and, therefore, Inmarsat Global MSS revenues, will be correspondingly lower than previously expected over 2014-16. However, we continue to expect Inmarsat Global MSS revenues to fall within the 8% to 12% CAGR growth range for 2014-16 expressed in our medium-term guidance. The overall trading environment for our L-band and other business lines remains positive, except in our US Government business unit where, as previously stated, trading remains difficult in light of customer budget pressures and other medium-term factors. In 2014, we expect capital expenditure on a cash basis to be between $500m and $550m.

¹ “Adjusted” as applied to total revenue and EBITDA, excludes the relevant contribution from our Cooperation Agreement with LightSquared (see page 4).
Results Conference Call

Inmarsat management will discuss the second quarter results and other financial and business information in a conference call on Tuesday 5 August 2014 at 0800 hrs London time. To access the call please dial +44(0)20 3427 1916. The conference id for the call is 9365506. 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 9365506#.

A copy of this interim announcement for the period ended 30 June 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.
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 June 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.

OPERATING REVIEW

Global Xpress Programme Update

The first Inmarsat-5 satellite was successfully launched in December 2013 and, following extensive satellite and end-user tests, 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 spacecraft are ready for shipment to the launch site. The Inmarsat-5 F2 and F3 satellites are committed to be launched on a Proton launch vehicle, a Russian-built rocket, from the Baikonur Cosmodrome in Kazakhstan, a facility which is leased and operated by the Russian Federation.

Following the recent Proton launch vehicle failure, we expect Proton to resume launch services in a timeframe which would allow us to complete the launch of the F2 and F3 Inmarsat-5 satellites and commence global commercial Global Xpress services by the end of the first half of 2015. We continue to believe and be advised that the current restrictions arising from geo-political tension in Ukraine do not affect our planned launches.

In July 2014, we announced we had selected SpaceX to provide launch services for our forthcoming S-band satellite payload and up to two further Inmarsat missions. This will provide launch capability for the Inmarsat-5 F4 satellite for mid-2016, in line with the satellite delivery schedule, and therefore provide certainty as to a launch date and cost when a decision is made to launch Inmarsat-5 F4, either as a replacement satellite or as a fourth satellite with an incremental Ka-band business plan. Additionally, the SpaceX contract grants us access to a back-up launch opportunity for Inmarsat-5 F3 in the event the delay caused by Proton extends beyond the end of April 2015.

European Aviation Network Programme

On 5 June 2014, we announced our decision to deploy an integrated telecommunications 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. Inmarsat’s aviation network will deliver high speed broadband services to commercial and business aviation passengers. These capabilities will be offered alongside Inmarsat’s Global Xpress aviation services in Europe.

Inmarsat and Hellas-Sat have contracted with Thales Alenia Space for the construction of a satellite on a shared basis such that each partner will retain exclusive rights to a separate payload. The satellite is expected to be delivered for launch by the end of 2016. As a result of the satellite sharing agreement, Inmarsat’s costs for the manufacture, launch, insurance and operations of Europasat are expected to be approximately $200m which is half of what it would have cost to deploy an S-band satellite on a stand-alone basis. The majority of the expected cost will be incurred over the period until the end of 2016.

Further investment in the development and construction of the complementary ground component network across the EU, fully-integrated with Europasat, will follow the progression of Member State level license approvals and the signing of substantive customer commitments. The total cost to Inmarsat of the further ground network development programme and service deployment is estimated at $200m to $250m and would be incurred over the next six years. In addition to aviation services, Inmarsat expects Europasat to be
able to support next generation emergency network services for public protection and disaster relief.

Acquisition of licenses from Member States to develop the S-Band MSS service and aviation complementary ground component ("ACGC") network is well under way, with MSS filings made in 25 Member States, including all of the largest EU countries. Authorisations for use of the spectrum for MSS services have already been received from 10 Member States. Inmarsat intends to apply for test licenses in the UK and France, with the expectation that testing could be under way on a pre-commercial basis within the next 12 to 18 months. A Memorandum of Understanding is in place with British Airways to be the launch customer for this integrated service, while negotiations are in an advanced stage with another European airline. The initiative is attracting much interest from EU-based airlines, as well as global airlines who provide services across Europe.

_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 United States 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 and in connection with this election notice a payment of $5.0m was received from LightSquared and recognised as revenue in the three months ended 31 March 2014. On 2 July 2014, we announced that a $9.1m payment due from LightSquared 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 three months ended 30 June 2014 payment due from LightSquared, due to the uncertainty of receiving the payment.

In the three months ended 30 June 2014, the Group recognised $1.8m (three months ended 30 June 2013: $2.2m) of previously deferred revenue and $0.1m (three months ended 30 June 2013: $1.1m) of costs in relation to the LightSquared Cooperation Agreement. As at 30 June 2014, we had deferred income remaining in relation to the Cooperation Agreement of $210.5m recorded on our balance sheet.

_Sale of assets to RigNet_

On 31 January 2014, following regulatory and other approvals, we completed the sale of the majority of our retail energy business to RigNet, Inc ("RigNet"). The sale included our microwave and WiMAX networks in the US Gulf of Mexico, our VSAT interests in the UK, the US and Canada, our telecommunications systems integration business operating worldwide and our retail L-band energy satellite communications business.

It is estimated that the retail energy business disposed of to RigNet contributed $72.6m of revenue and $3.8m of EBITDA1 to the Group during the year ended 31 December 2013.

_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 ("Globe Wireless") for a total consideration of approximately $45m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market and its operations have been integrated within our Commercial Maritime business unit.

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. EBITDA is not a measurement of our financial performance under IFRS.
On a stand-alone basis, since acquisition date Globe Wireless has contributed $41.5m of revenue ($21.1m of which occurred in the three months ended 30 June 2014) and profit after tax of $0.6m ($1.0m of which occurred in the three months ended 30 June 2014). However, as Globe Wireless was previously a customer, incremental revenues for the Group are lower than the stand-alone results.

**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:

- The launch of Fleet One in May 2014, a new voice and data satellite service designed specifically for the maritime leisure and fishing community;
- A proposal made to the International Civil Aviation Organization in May 2014 for a free global airline tracking service over the Inmarsat network, as part of the anticipated adoption of further aviation safety measures following the loss of flight MH370;
- The launch of L-TAC VHF for civil governments. This new service which was launched in June 2014 will extend the range and capabilities of VHF radios used by the emergency services and enable full interoperability between civilian and defence force radios; and
- The signing of a contract with Hughes Network Systems, LLC to manufacture a new Low Profile BGAN terminal, which will equip police forces and other government departments around the world with a discreet communications terminal.

**Refinancing**

On 4 June 2014, Inmarsat Finance plc (a wholly-owned subsidiary company) issued $1 billion of 4.875% Senior Notes due 2022. The proceeds of the offering were used to fully redeem the Group’s existing $850m 7.375% Senior Notes due 2017 and to pay all fees and expenses in relation to the transactions, with the remaining proceeds available for general corporate purposes.

**Dividends**

The Board intends to declare and pay an interim dividend for the 2014 financial year of $95.7m to Inmarsat Holdings Limited on 24 October 2014. Inmarsat plc intends to use the proceeds of the dividend it receives principally to fund a dividend to holders of its ordinary shares. This dividend has not been recognised as a liability as at 30 June 2014.

**Change in Reporting Segments**

During the three months ending 30 September 2014, the Group will revise its reporting segments to reflect the way the business is increasingly being managed. The revised reporting segments will be “Maritime”, “Government”, “Enterprise” and “Aviation”. These four reporting segments will be supported by “Central Services,” which will include all other income that is not directly attributable to the individual reporting segments and all corporate costs.

Further detail on the future change in reporting segments will be communicated at an Investor Day to be held later this year. The results for the three months ending 30 September 2014 will be presented with the revised reporting segments. To assist analysts and Investors with the transition, results for current reporting segments will continue to be provided for a period of time. These changes will therefore provide enhanced information to our shareholders. In addition, historical comparative information in the revised operating format will be made available before the publication of the three months ending 30 September 2014 results.
FINANCIAL REVIEW

Inmarsat Group Results

During the three months ended 30 June 2014, Group revenue decreased by $19.0m, or 5.8%, compared with the three months ended 30 June 2013, with a continuing slowdown in Government expenditure, but also strong growth in Maritime and Aviation revenues. Revenues for the three months ended 30 June 2014, also reflect the disposal of the majority of our retail energy business to RigNet and additional revenues following our acquisition of Globe Wireless. Included in the above is an increase in Inmarsat Global Wholesale MSS revenues of $0.2m, or 0.1%.

Net operating costs decreased by $4.9m during the three months ended 30 June 2014, compared with the three months ended 30 June 2013. This is due to the sale of the retail energy business, reduced operating costs due to a workforce reduction implemented in the US Government business during 2013 and lower costs of goods and services as a result of lower equipment sales. The decrease in net operating costs has been partially offset by increased costs as a result of the acquisition of Globe Wireless and an increase in operating costs in our Inmarsat Global segment.

As a consequence, EBITDA has decreased by $14.1m, or 8.1%, to $159.9m for the three months ended 30 June 2014 and EBITDA margin has decreased to 52.0% for the three months ended 30 June 2014, compared with 53.3% for the three months ended 30 June 2013.

Inmarsat Group revenue by segment:

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Three months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inmarsat Global:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale MSS1:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maritime</td>
<td>113.2</td>
<td>111.6</td>
<td>1.4%</td>
<td>223.3</td>
</tr>
<tr>
<td>Land mobile</td>
<td>32.4</td>
<td>33.6</td>
<td>(3.6%)</td>
<td>60.8</td>
</tr>
<tr>
<td>Aviation</td>
<td>32.3</td>
<td>28.2</td>
<td>14.5%</td>
<td>65.6</td>
</tr>
<tr>
<td>Leasing</td>
<td>18.2</td>
<td>22.5</td>
<td>(19.1%)</td>
<td>37.9</td>
</tr>
<tr>
<td>Wholesale MSS</td>
<td>196.1</td>
<td>195.9</td>
<td>0.1%</td>
<td>387.6</td>
</tr>
<tr>
<td>LightSquared</td>
<td>1.8</td>
<td>2.2</td>
<td>(18.2%)</td>
<td>47.1</td>
</tr>
<tr>
<td>Other</td>
<td>10.5</td>
<td>8.3</td>
<td>26.5%</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Total Inmarsat Global</strong></td>
<td><strong>208.4</strong></td>
<td><strong>206.4</strong></td>
<td><strong>1.0%</strong></td>
<td><strong>451.9</strong></td>
</tr>
<tr>
<td>Inmarsat Solutions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inmarsat MSS</td>
<td>108.2</td>
<td>100.3</td>
<td>7.9%</td>
<td>214.0</td>
</tr>
<tr>
<td>Broadband and Other MSS</td>
<td>80.6</td>
<td>94.8</td>
<td>(15.0%)</td>
<td>166.9</td>
</tr>
<tr>
<td><strong>Total Inmarsat Solutions</strong></td>
<td><strong>188.8</strong></td>
<td><strong>195.1</strong></td>
<td><strong>(3.2%)</strong></td>
<td><strong>380.9</strong></td>
</tr>
<tr>
<td>Intercompany eliminations and adjustments</td>
<td>(89.6)</td>
<td>(74.9)</td>
<td>(180.5)</td>
<td>(148.2)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>307.6</strong></td>
<td><strong>326.6</strong></td>
<td><strong>(5.8%)</strong></td>
<td><strong>652.3</strong></td>
</tr>
</tbody>
</table>

1 The breakdown of our maritime and land mobile revenues into voice and data categories is no longer provided. This decision is due to the increasing take-up of maritime service packages where customers are not specifically charged for voice or data use and is also due to the increasing use of VoIP services which are recorded as data by our systems. As a result, we no longer believe the separation of voice revenues provides meaningful information on underlying customer usage trends.
Inmarsat Group operating costs by segment:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Three months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inmarsat Global:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefit costs</td>
<td>32.8</td>
<td>11.6%</td>
<td>59.6</td>
<td>1.7%</td>
</tr>
<tr>
<td>Network and satellite operations costs</td>
<td>15.7</td>
<td>33.1%</td>
<td>30.2</td>
<td>30.2%</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>24.5</td>
<td>17.8%</td>
<td>44.1</td>
<td>1.6%</td>
</tr>
<tr>
<td>Own work capitalised</td>
<td>(6.1)</td>
<td>10.9%</td>
<td>(11.2)</td>
<td>5.7%</td>
</tr>
<tr>
<td><strong>Total Inmarsat Global</strong></td>
<td><strong>66.9</strong></td>
<td><strong>18.4%</strong></td>
<td><strong>122.7</strong></td>
<td><strong>7.1%</strong></td>
</tr>
<tr>
<td>Inmarsat Solutions</td>
<td>170.3</td>
<td>(0.8%)</td>
<td>339.4</td>
<td>(1.5%)</td>
</tr>
<tr>
<td>Intercompany eliminations and adjustments</td>
<td>(89.5)</td>
<td>(3.2%)</td>
<td>(179.6)</td>
<td>(147.8)</td>
</tr>
<tr>
<td><strong>Total net operating costs</strong></td>
<td><strong>147.7</strong></td>
<td><strong>(3.2%)</strong></td>
<td><strong>282.5</strong></td>
<td><strong>(9.2%)</strong></td>
</tr>
</tbody>
</table>

Inmarsat Group reconciliation of profit for the period to EBITDA:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Three months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>41.9</td>
<td>(40.8%)</td>
<td>148.1</td>
<td>9.1%</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>7.2</td>
<td>(82.9%)</td>
<td>34.5</td>
<td>(45.6%)</td>
</tr>
<tr>
<td>Net finance expense</td>
<td>43.5</td>
<td>539.7%</td>
<td>51.7</td>
<td>277.4%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>68.5</td>
<td>50.2%</td>
<td>136.1</td>
<td>25.7%</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>0.2</td>
<td>–</td>
<td>0.2</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(0.6)</td>
<td>(106.4%)</td>
<td>0.5</td>
<td>(94.7%)</td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td>(0.8)</td>
<td>33.3%</td>
<td>(1.3)</td>
<td>(7.1%)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>159.9</strong></td>
<td><strong>(8.1%)</strong></td>
<td><strong>369.8</strong></td>
<td><strong>12.4%</strong></td>
</tr>
</tbody>
</table>

**EBITDA margin %**

| Segment                      | 52.0%                           | 53.3%                | 56.7%                          | 51.4%                |

**Inmarsat Global Results**

**Revenues**

During the three months ended 30 June 2014, revenues from Inmarsat Global were $208.4m, an increase of $2.0m, or 1.0%, compared with the three months ended 30 June 2013. MSS revenues increased by $0.2m, or 0.1%, in the same period.

Moderate MSS revenue growth was primarily driven by increased activations and usage of our FleetBroadband and SwiftBroadband services and by the effect of price initiatives for certain maritime data services implemented on 1 January 2014. As in recent periods, our land mobile sector has continued to decline with lower revenues from our BGAN and GAN services due to troop withdrawals from Afghanistan and reduced revenues from other global events. More generally, in the three months ended 30 June 2014, we have experienced a decline in revenues from older services such as Inmarsat B, Inmarsat C, Mini M, Fleet, GAN and Swift 64, compared with the three months ended 30 June 2013, as users continue to migrate to newer services. The results also reflect the expected termination of certain lease business.

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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, whereby all Inmarsat Global interconnect network costs are now included in network and satellite operations costs. The comparative figures for the three and six months ended 30 June 2013 included in the table above have been re-presented to reflect this change.
Total active terminal numbers as at 30 June 2014 decreased by 1.5%, compared with 30 June 2013. The table below sets out the active terminals by sector for each of the periods indicated:

<table>
<thead>
<tr>
<th>(000's)</th>
<th>As at 30 June 2014</th>
<th>As at 30 June 2013</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active terminals</td>
<td>372.1</td>
<td>377.6</td>
<td>(1.5%)</td>
</tr>
<tr>
<td>Maritime</td>
<td>189.0</td>
<td>189.3</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Land mobile</td>
<td>165.5</td>
<td>172.1</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Aviation</td>
<td>17.6</td>
<td>16.2</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

In the maritime sector we continue to see strong take-up of our FleetBroadband service, where active terminal numbers have grown by 18%, period-over-period. This growth has been offset by the decline in active terminals of older services such as Inmarsat B, Mini M and Fleet, where users have been migrating to our FleetBroadband service. In the land mobile sector we saw a decrease in BGAN terminals due to approximately 5,000 SIMs activated for the Philippines election in 2013 which are no longer deemed active; there has also been a continued and expected decline in active terminals of older services, such as Mini M and GAN services. These decreases have been partially offset by an increase in IsatPhone terminals period-over-period. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 34%, period-over-period.

Key developments in Inmarsat Global’s revenues for the three months ended 30 June 2014, compared with the three months ended 30 June 2013, were as follows:

- Revenues from the maritime sector increased by $1.6m (1.4%) against the comparable period. This reflects continued strong growth in take-up and usage of our FleetBroadband service. At 30 June 2014, we had 44,696 active subscribers, having added 1,805 during the quarter. The take-up of our retail XpressLink product by ships currently using our existing L-band maritime services impacts the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis largely migrates to our Inmarsat Solutions segment. In due course, after maritime Global Xpress services are commercially introduced, such customers are expected to migrate over time to Global Xpress (as they are, in general, contractually committed to do) and increase wholesale revenue reported by Inmarsat Global.

- Revenues from the land mobile sector decreased by $1.2m (3.6%) against the comparable period. The decline in revenues is primarily due to troop withdrawals from Afghanistan and other lower BGAN and GAN usage. We estimate that global events including Afghanistan and Sub-Saharan Africa contributed approximately $1m more BGAN revenue in the three months ended 30 June 2013 than in the three months ended 30 June 2014.

- Revenues from the aviation sector increased by $4.1m (14.5%) against the comparable period. We have seen strong growth in revenues from our SwiftBroadband service, period-over-period, in both the business jet and air transport segments. However, this increase has been partially offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers, including usage related to lower activity in Afghanistan.

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 June. 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 June 2014, we had 275,608 (2013: 236,667) 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.
Revenues from leasing decreased by $4.3m (19.1%) against the comparable period. The decrease was expected and is predominantly due to a reduction in revenues from a number of government aviation and maritime contracts, partially offset by an increase in government land leases.

**Net operating costs**

Net operating costs in the three months ended 30 June 2014 increased by $10.4m, or 18.4%, compared with the three months ended 30 June 2013. Included within net operating costs for the three months ended 30 June 2014 are net costs in relation to our Global Xpress programme of $6.2m (three months ended 30 June 2013: $5.2m) and costs in relation to our Cooperation Agreement with LightSquared of $0.1m (three months ended 30 June 2013: $1.1m).

**Impact of hedged foreign exchange rate.** The functional currency of the Group’s principal subsidiaries is US Dollars. Approximately 50% of Inmarsat Global’s costs are denominated in Pounds Sterling. Inmarsat Global’s hedged rate of exchange for 2014 is $1.54/£1.00, compared with $1.57/£1.00 in 2013, which does not give rise to a material variance in comparative costs.

Key developments in Inmarsat Global’s net operating costs for the three months ended 30 June 2014, compared with the three months ended 30 June 2013, were as follows:

- Employee benefit costs increased by $3.4m (11.6%) against the comparable period primarily due to increased headcount (629 at 30 June 2014 compared with 597 at 30 June 2013) and related costs recognised in the three months ended 30 June 2014.

- Network and satellite operations costs increased by $3.9m (33%) against the comparative period primarily due to certain changes made to the internal structure of our business that have no impact on the consolidated results of the Group. In December 2013, the Inmarsat Global segment sold certain operational assets to the Inmarsat Solutions segment. These assets continue to be used by Inmarsat Global and, therefore, from 1 January 2014, the cost of using these assets is being recognised in Inmarsat Global, by way of an intercompany charge, with the Inmarsat Solutions segment recognising a corresponding revenue amount. Previously, as Inmarsat Global owned the assets, the associated cost was recognised as a depreciation expense.

- Other operating costs increased by $3.7m (17.8%) against the comparative period primarily due a foreign exchange loss of $1.0m recognised in the three months ended 30 June 2014, compared to a foreign exchange gain of $0.9m recognised in the three months ended 30 June 2013. In addition, travel costs increased in the three months ended 30 June 2014 due to the needs of the business; the Group also recorded higher IsatPhone terminal costs in the three months ended 30 June 2014, compared with the three months ended 30 June 2013.

### Operating profit

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Three months ended 30 June 2014</th>
<th>2013</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June 2014</th>
<th>2013</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>208.4</td>
<td>206.4</td>
<td>1.0%</td>
<td>451.9</td>
<td>403.9</td>
<td>11.9%</td>
</tr>
<tr>
<td>Net operating costs</td>
<td>(66.9)</td>
<td>(56.5)</td>
<td>18.4%</td>
<td>(412.7)</td>
<td>(114.6)</td>
<td>7.1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>141.5</td>
<td>149.9</td>
<td>(5.6%)</td>
<td>329.2</td>
<td>289.3</td>
<td>13.8%</td>
</tr>
<tr>
<td>EBITDA margin %</td>
<td>67.9%</td>
<td>72.6%</td>
<td>72.8%</td>
<td>71.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA excluding LightSquared and Global Xpress</td>
<td>145.7</td>
<td>154.0</td>
<td>(5.4%)</td>
<td>294.2</td>
<td>297.1</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>EBITDA margin % excluding LightSquared and Global Xpress</td>
<td>70.6%</td>
<td>75.4%</td>
<td>72.7%</td>
<td>74.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(43.7)</td>
<td>(38.0)</td>
<td>15.0%</td>
<td>(86.0)</td>
<td>(75.8)</td>
<td>13.5%</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(44.2)</td>
<td></td>
<td></td>
<td>(44.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>53.6</td>
<td>111.9</td>
<td>(52.1%)</td>
<td>199.0</td>
<td>213.5</td>
<td>(6.8%)</td>
</tr>
</tbody>
</table>
As a result of the factors discussed above, Inmarsat Global's EBITDA decreased by $8.4m, or 5.6%, in the three months ended 30 June 2014, compared with the three months ended 30 June 2013.

During the three months ended 30 June 2014, a company in the Inmarsat Global segment recognised a $44.2m impairment of its investment (held at cost) in Inmarsat Solutions Limited; this is eliminated on consolidation to Inmarsat Group and has no impact on total Group results. In addition, depreciation and amortisation increased by $5.7m, or 15.0%, in the three months ended 30 June 2014, compared with the three months ended 30 June 2013, as a result of the Alphasat satellite entering commercial service (and therefore starting to be depreciated) in November 2013. Operating profit therefore decreased by $58.3m, or 52%, in the three months ended 30 June 2014, compared with the three months ended 30 June 2013.

**Inmarsat Solutions Results**

Effective from 1 January 2014, the Group acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless. On 31 January 2014, the Group completed the sale of the majority of our retail energy assets to RigNet. Both of these transactions are accounted for in our Inmarsat Solutions segment.

**Revenues**

As set out on page 6, during the three months ended 30 June 2014, revenues from Inmarsat Solutions decreased by $6.3m, or 3.2%, compared with the three months ended 30 June 2013.

**Inmarsat MSS.** Revenues from Inmarsat MSS for the three months ended 30 June 2014 increased by $7.9m, or 7.9%, compared with the three months ended 30 June 2013. The increase in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by the inclusion of the Globe Wireless business for the three months ended 30 June 2014. In addition, we experienced growth in maritime revenues as a result of growth in our FleetBroadband service and increased leasing revenues as a result of the transfer of a customer to Inmarsat Solutions from another distribution partner. These increases were partially offset by a decrease in aviation revenue primarily due to a reduction in US Government Swift 64 revenues and $4.6m of non-recurring US Government revenue being recognised in the three months ended 30 June 2013 in connection with the unused portion of a prepaid capacity contract.

For the three months ended 30 June 2014, Inmarsat Solutions’ share of Inmarsat Global’s MSS revenues was 42%, compared with the 36% share for the three months ended 30 June 2013. The increase is predominantly due to the acquisition of Globe Wireless.

**Broadband and Other MSS.** Broadband and Other MSS revenues primarily consist of sales of mobile terminals and equipment, mobile telecommunications services sourced on a wholesale basis from other MSS providers and network services provided to certain distributors. Also included within Broadband and Other MSS are revenues from our US Government business relating to the provision of secure IP managed solutions and services to US Government agencies, and an element of revenues from our Commercial Maritime business unit relating to the provision of VSAT maritime communications services, including our XpressLink service, to the shipping, offshore energy and fishing markets. Prior year revenues also included VSAT and microwave services and engineering services that were sold to RigNet as part of the retail energy assets on 31 January 2014.

Revenues from Broadband and Other MSS during the three months ended 30 June 2014 decreased by $14.2m, or 15.0%, compared with the three months ended 30 June 2013. The decrease is due primarily to a reduction in revenue from IP managed solutions in our US Government business unit as a result of contract renewals at lower prices and non-renewals, the sale of the retail energy business to RigNet and lower sales of equipment across all business units. These decreases were partially offset by increased Commercial Maritime business unit revenues as a result of the acquisition of Globe Wireless, growth in the number of total customer connections.
of ships served with our XpressLink service and an increase in intercompany revenue following the recharge of certain operating costs to the Inmarsat Global segment.

**Net operating costs**
Net operating costs in the three months ended 30 June 2014 decreased by $1.3m, or 0.8%, compared with the three months ended 30 June 2013. The table below sets out the components of net operating costs and shows the allocation of costs to the Group’s cost categories for each of the periods indicated:

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Three months ended 30 June</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of goods and services</td>
<td>129.4</td>
<td>128.6</td>
<td>0.6%</td>
<td>258.1</td>
</tr>
<tr>
<td>Operating costs</td>
<td>40.9</td>
<td>43.0</td>
<td>(4.9%)</td>
<td>81.3</td>
</tr>
<tr>
<td><strong>Total operating costs</strong></td>
<td>170.3</td>
<td>171.6</td>
<td>(0.8%)</td>
<td>339.4</td>
</tr>
</tbody>
</table>

Allocated as follows:
- Employee benefit costs: 27.2 (2014) vs. 29.1 (2013) (6.5% decrease)
- Network and satellite operations costs: 127.3 (2014) vs. 123.1 (2013) (3.4% increase)
- Other operating costs: 17.5 (2014) vs. 20.7 (2013) (15.5% decrease)
- Own work capitalised: (1.7) (2014) vs. (1.3) (2013) (30.8% decrease)

**Cost of goods and services.** Cost of goods and services during the three months ended 30 June 2014 increased by $0.8m, or 0.6%, compared with the three months ended 30 June 2013. The increase is due to the inclusion of Globe Wireless and increased costs in our Commercial Maritime business unit related to the increased maritime VSAT revenue, partially offset by the reduction of costs from the sale of the energy business, lower costs of terminals and equipment as a result of lower terminal and equipment sales and lower costs of network services as a result of the reduction in US Government revenue.

**Operating costs.** Operating costs during the three months ended 30 June 2014 decreased by $2.1m, or 4.9%, compared with the three months ended 30 June 2013. The decrease is primarily due to the sale of the retail energy business and a workforce reduction in our US Government business unit during 2013. This decrease was partially offset by an increase in costs as a result of the acquisition of Globe Wireless.

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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, whereby all Inmarsat Solutions terminal and equipment costs are now included in other operating costs. The comparative figures for the three and six months ended 30 June 2013 included in the table above have been re-presented to reflect this change.

2 Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.
### Operating (loss)/profit

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Total revenue</td>
<td>188.8</td>
<td>195.1</td>
<td>(3.2%)</td>
<td>380.9</td>
</tr>
<tr>
<td>Cost of goods and services</td>
<td>(129.4)</td>
<td>(128.6)</td>
<td>0.6%</td>
<td>(258.1)</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td><strong>59.4</strong></td>
<td><strong>66.5</strong></td>
<td><strong>(10.7%)</strong></td>
<td><strong>122.8</strong></td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td><strong>31.5%</strong></td>
<td><strong>34.1%</strong></td>
<td></td>
<td><strong>32.2%</strong></td>
</tr>
<tr>
<td>Operating costs</td>
<td>(40.9)</td>
<td>(43.0)</td>
<td>(4.9%)</td>
<td>(81.3)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>18.5</strong></td>
<td><strong>23.5</strong></td>
<td><strong>21.3%</strong></td>
<td><strong>41.5</strong></td>
</tr>
<tr>
<td><strong>EBITDA margin %</strong></td>
<td><strong>9.8%</strong></td>
<td><strong>12.0%</strong></td>
<td></td>
<td><strong>10.9%</strong></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(24.8)</td>
<td>(7.6)</td>
<td>226.3%</td>
<td>(50.1)</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>(0.2)</td>
<td>–</td>
<td>–</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>0.6</td>
<td>(9.4)</td>
<td>(106.4%)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Share of profit of associates</td>
<td>0.8</td>
<td>0.6</td>
<td>33.3%</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Operating (loss)/profit</strong></td>
<td><strong>(5.1)</strong></td>
<td><strong>7.1</strong></td>
<td>(171.8%)</td>
<td><strong>(8.0)</strong></td>
</tr>
</tbody>
</table>

Gross margin consists of revenues less direct cost of goods and services. Gross margin and gross margin percentage for the three months ended 30 June 2014 have decreased by $7.1m and 2.6%, respectively, compared with the three months ended 30 June 2013. These decreases are primarily a result of the decrease in revenue and changes in product mix from the prior year.

Inmarsat Solutions’ operating loss for the three months ended 30 June 2014 was $5.1m, compared with an operating profit of $7.1m in the three months ended 30 June 2013. The worsening of performance is primarily due to an increase in depreciation and amortisation of $17.2m, partially offset by a decrease in impairment losses of $10.0m. These variances are primarily due to a non-recurring adjustment to depreciation, which resulted in an impairment loss in the three months ended 30 June 2013.

**Inmarsat Group Limited other Income Statement items:**

**Depreciation and amortisation**

The increase in depreciation and amortisation of $22.9m for the three months ended 30 June 2014 primarily relates to a $15.5m adjustment which reduced depreciation in the three months ended 30 June 2013 to correct the prior period carrying values of certain assets relating to the former Stratos business. In addition, depreciation increased due to our Alphasat satellite entering commercial service (and therefore starting to be depreciated) in November 2013 and as a result of the assets acquired in the Globe Wireless transaction. This increase was partially offset by a decrease due to the disposal of certain retail energy assets to RigNet.

**Operating profit**

As a result of the factors discussed above, operating profit for the three months ended 30 June 2014 was $92.6m, a decrease of $27.0m, or 23%, compared with the three months ended 30 June 2013.

**Net finance expense**

Net finance expense for the three months ended 30 June 2014 was $43.5m, an increase of $36.7m, or 540%, compared with the three months ended 30 June 2013. The increase is primarily due to the June 2014 refinancing of the Group’s Senior Notes. As a result of the cancellation of the Group’s previous Senior Notes due 2017, the Group incurred a total redemption premium payable of $32.8m and further net refinancing costs of $2.5m. There was also an increase in interest payable following further drawdowns of our Ex-Im Bank Facility which supports our Inmarsat-5 programme and a decrease in capitalised interest in the three months ended 30 June 2014, due to our Alphasat satellite entering commercial service in November 2013, meaning related interest is no longer capitalised. Partially offsetting the increase in net finance expense was a decrease in interest payable under
interest rate swaps which matured in 2013 (there were no open interest rate swaps in the three months ended 30 June 2014).

**Profit before tax**

As a result of the factors discussed above, profit before tax for the three months ended 30 June 2014 was $49.1m, a decrease of $63.7m, or 56%, compared with the three months ended 30 June 2013.

**Income tax expense**

The tax charge for the three months ended 30 June 2014 was $7.2m, a decrease of $34.8m, or 83%, compared with the three months ended 30 June 2013. Included within the tax charge are non-recurring adjustments which, for the three months ended 30 June 2014, resulted in a tax credit of $1.9m compared to a tax charge of $14.4m for the three months ended 30 June 2013.

If the effects of the above adjustments are removed, the effective tax rate for the three months ended 30 June 2014 was 18.5%, compared with 24.5% for the three months ended 30 June 2013. This difference largely arises as a result of timing differences related to the recognition of non-UK tax losses and the reduction in the UK main rate of corporation tax from 23% to 21%. The UK tax rate upon which the three months ended 30 June 2014 tax charge is based is 21.5%, compared to 23.25% for the three months ended 30 June 2013.

**Profit for the period**

As a result of the factors discussed above, profit for the three months ended 30 June 2014 was $41.9m, a decrease of $28.9m, or 41%, compared with the three months ended 30 June 2013.

**Group Revenues by Business Unit**

The table below shows the Group's total revenue split by business unit for each of the periods indicated:

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Three months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
<th>Six months ended 30 June 2014</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Maritime</td>
<td>152.6</td>
<td>14.8%</td>
<td>300.8</td>
<td>15.9%</td>
</tr>
<tr>
<td>US Government</td>
<td>48.3</td>
<td>(40.2%)</td>
<td>98.1</td>
<td>(37.6%)</td>
</tr>
<tr>
<td>Global Government</td>
<td>32.1</td>
<td>6.3%</td>
<td>61.9</td>
<td>0.8%</td>
</tr>
<tr>
<td>Enterprise¹</td>
<td>39.9</td>
<td>(30.1%)</td>
<td>84.3</td>
<td>(24.7%)</td>
</tr>
<tr>
<td>Aviation¹</td>
<td>23.8</td>
<td>6.6%</td>
<td>46.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total business unit revenue</td>
<td>296.7</td>
<td>(6.8%)</td>
<td>591.1</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Other income (including LightSquared)</td>
<td>10.9</td>
<td>34.6%</td>
<td>61.2</td>
<td>16.2</td>
</tr>
<tr>
<td>Total revenue</td>
<td>307.6</td>
<td>(5.8%)</td>
<td>652.3</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

**Commercial Maritime.** Commercial Maritime revenues for the three months ended 30 June 2014 increased by $19.7m, or 14.8%, compared with the three months ended 30 June 2013. The increase is due to the acquisition of Globe Wireless, as well as growth in our FleetBroadband service and price initiatives implemented in March 2013 and January 2014, partially offset by a reduction in revenues from older maritime services primarily due to the migration to FleetBroadband. There was also an increase in VSAT revenue due to take-up of our XpressLink service. These increases were partially offset by lower equipment sales.

**US Government.** US Government revenues for the three months ended 30 June 2014 decreased by $32.5m, or 40%, compared with the three months ended 30 June 2013. This

¹ From 1 January 2014, a fifth business unit was created, Inmarsat Aviation. Inmarsat Aviation focuses on commercial aviation opportunities, which were previously reported within our Inmarsat Enterprise business unit. The comparative figures in the table above have been re-presented to reflect this change.
decrease is primarily 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 competition. In the three months ended 30 June 2014, there were also lower equipment sales, leasing revenue and BGAN and Swift 64 revenues as a result of troop withdrawals from Afghanistan. We are continuing to see pressure on our US Government business unit as a result of continued spending controls by the US Government and the withdrawal of troops from Iraq and Afghanistan. Consequently, we have experienced an increase in competition for the available opportunities and a reduction in revenue and margins.

**Global Government.** Global Government revenues for the three months ended 30 June 2014 increased by $1.9m, or 6.3%, compared with the three months ended 30 June 2013. The increase is primarily due to increased FleetBroadband, Fleet and SwiftBroadband usage by various customers as well as increased leasing revenue, partially offset by lower equipment sales and decreased GAN usage.

**Enterprise.** Enterprise revenues for the three months ended 30 June 2014 decreased by $17.2m, or 30%, compared with the three months year ended 30 June 2013. This was driven by the sale of the retail energy business to RigNet on 31 January 2014. Excluding this reduction, revenues were broadly flat in the three months ended 30 June 2014, compared with the three months ended 30 June 2013, and include increased M2M, IsatPhone and FleetBroadband airtime revenues offset by lower BGAN and leasing revenue and equipment sales.

**Aviation.** Aviation revenues for the three months ended 30 June 2014 increased by $6.3m, or 36%, compared with the three months ended 30 June 2013. The increase is primarily due to increased SwiftBroadband and Classic Aero revenues as a result of growth in both the business jet and commercial air transport business.

**Group Cash Flow Statement**

The increase in net cash generated from operating activities in the three months ended 30 June 2014, compared with the three months ended 30 June 2013, of $31.5m primarily relates to movements in working capital and reduced cash tax paid, partially offset by decreased EBITDA.

Capital expenditure, including own work capitalised, decreased by $52.5m in the three months ended 30 June 2014, compared with the three months ended 30 June 2013, primarily due to the timing of expenditure in relation to the Global Xpress programme. Additionally, capital expenditure in the three months ended 30 June 2013 included spend on our Alphasat programme which entered commercial service in November 2013.

Net cash from financing activities, excluding the payment of dividends, in the three months ended 30 June 2014 was $59.9m, compared to net cash used in financing activities, excluding the payment of dividends of $29.9m in the three months ended 30 June 2013.

During the three months ended 30 June 2014 we redeemed our previous Senior Notes due 2017 at a cost of $882.8m. Additionally we paid $36.7m of interest on borrowings (three months ended 30 June 2013: $35.8m), repaid $25.7m of our EIB Facility (three months ended 30 June 2013: $25.7m) and paid arrangement costs of financing of $8.7m (three months ended 30 June 2013: $1.2m). Offsetting the cash outflow we received gross proceeds of $991.9m on the issue of our new Senior Notes due 2022, drew down $8.5m on our Ex-Im Bank Facility (three months ended 30 June 2013: $35.1m) and received $13.0m of intercompany funding (three months ended 30 June 2013: paid $2.2m of intercompany funding).
Group Free Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June</th>
<th>Six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>153.7</td>
<td>127.4</td>
</tr>
<tr>
<td>Capital expenditure, including own work capitalised</td>
<td>(109.4)</td>
<td>(161.9)</td>
</tr>
<tr>
<td>Net cash interest paid</td>
<td>(36.7)</td>
<td>(35.5)</td>
</tr>
<tr>
<td>Cash tax refunded/(paid)</td>
<td>3.0</td>
<td>(2.5)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>10.6</strong></td>
<td><strong>(72.5)</strong></td>
</tr>
</tbody>
</table>

In the three months ended 30 June 2014, we had positive free cash flow of $10.6m, compared with negative free cash flow of $72.5m in the three months ended 30 June 2013. The increase is primarily due to a reduction in capital expenditure and an increase in cash generated from operations.

Group Liquidity and Capital Resources

At 30 June 2014, the Group had cash and cash equivalents of $136.9m and available but undrawn borrowing facilities of $891.1m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group’s needs for the foreseeable future. In addition, we remain well-positioned to access the capital markets when needed, to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

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.

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1 We define free cash flow (“FCF”) as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. FCF is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, IFRS.
### CONDENSED UNAUDITED FINANCIAL STATEMENTS

#### INMARSAT GROUP LIMITED

#### CONDENSED CONSOLIDATED INCOME STATEMENT (unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June</th>
<th>Six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013¹</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>307.6</td>
<td>326.6</td>
</tr>
<tr>
<td><strong>Employee benefit costs</strong></td>
<td>(60.0)</td>
<td>(58.5)</td>
</tr>
<tr>
<td><strong>Network and satellite operations costs</strong></td>
<td>(55.1)</td>
<td>(60.5)</td>
</tr>
<tr>
<td><strong>Other operating costs</strong></td>
<td>(40.9)</td>
<td>(40.8)</td>
</tr>
<tr>
<td><strong>Own work capitalised</strong></td>
<td>8.3</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Total net operating costs</strong></td>
<td>(147.7)</td>
<td>(152.6)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>159.9</td>
<td>174.0</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>(68.5)</td>
<td>(45.6)</td>
</tr>
<tr>
<td><strong>Loss on disposal of assets</strong></td>
<td>(0.2)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Impairment losses</strong></td>
<td>0.6</td>
<td>(9.4)</td>
</tr>
<tr>
<td><strong>Share of profit of associates</strong></td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>92.6</td>
<td>119.6</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>5.7</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Finance expense</strong></td>
<td>(49.2)</td>
<td>(7.6)</td>
</tr>
<tr>
<td><strong>Net finance expense</strong></td>
<td>(43.5)</td>
<td>(6.8)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>49.1</td>
<td>112.8</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(7.2)</td>
<td>(42.0)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>41.9</td>
<td>70.8</td>
</tr>
</tbody>
</table>
| **Attributable to:** &nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&nbsp;&n...
INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June</th>
<th>Six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>41.9</td>
<td>70.8</td>
</tr>
<tr>
<td></td>
<td>2014 2013 2014 2013</td>
<td>148.1 135.7</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts subsequently reclassified to the Income Statement:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange translation differences</td>
<td>– (0.2) 0.1 (0.2)</td>
<td></td>
</tr>
<tr>
<td>Net gains/(losses) on cash flow hedges</td>
<td>1.7 3.3 (0.3) (1.0)</td>
<td></td>
</tr>
<tr>
<td>Tax (charged)/credited directly to equity</td>
<td>– (0.5) 0.2 0.1</td>
<td></td>
</tr>
<tr>
<td>Amounts not subsequently reclassified to the Income Statement:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (losses)/gains from pension and post-employment benefits</td>
<td>(3.6) 4.3 (4.0) 4.3</td>
<td></td>
</tr>
<tr>
<td>Tax credited/(charged) directly to equity</td>
<td>0.7 (1.0) 0.7 (1.0)</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive (loss)/income for the period, net of tax</td>
<td>(1.2) 5.9 (3.3) 2.2</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the period, net of tax</td>
<td>40.7 76.7 144.8 137.9</td>
<td></td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders</td>
<td>40.5 76.6 144.5 137.7</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>0.2 0.1 0.3 0.2</td>
<td></td>
</tr>
</tbody>
</table>
## INMARSAT GROUP LIMITED

### CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2014 (unaudited)</th>
<th>As at 31 December 2013 (audited)</th>
<th>As at 30 June 2013 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,590.0</td>
<td>2,495.9</td>
<td>2,325.1</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>808.4</td>
<td>781.1</td>
<td>947.1</td>
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<tr>
<td>Investments</td>
<td>33.6</td>
<td>32.7</td>
<td>32.4</td>
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<tr>
<td>Other receivables</td>
<td>22.1</td>
<td>21.6</td>
<td>18.1</td>
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<tr>
<td>Deferred income tax assets</td>
<td>17.8</td>
<td>21.3</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2.2</td>
<td>3.6</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,474.1</td>
<td>3,356.2</td>
<td>3,322.8</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>136.9</td>
<td>143.1</td>
<td>215.6</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>315.6</td>
<td>281.2</td>
<td>278.2</td>
</tr>
<tr>
<td>Inventories</td>
<td>43.7</td>
<td>27.7</td>
<td>26.2</td>
</tr>
<tr>
<td>Current income tax assets</td>
<td>12.2</td>
<td>11.6</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>9.0</td>
<td>9.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>–</td>
<td>42.8</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>517.4</td>
<td>515.6</td>
<td>520.7</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,991.5</td>
<td>3,871.8</td>
<td>3,843.5</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>96.8</td>
<td>71.9</td>
<td>57.6</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>549.5</td>
<td>569.2</td>
<td>643.4</td>
</tr>
<tr>
<td>Provisions</td>
<td>3.3</td>
<td>4.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>118.9</td>
<td>108.6</td>
<td>60.3</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>0.3</td>
<td>0.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Liabilities directly associated with assets held for sale</td>
<td>–</td>
<td>19.0</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>768.8</td>
<td>773.5</td>
<td>771.9</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,655.3</td>
<td>1,558.0</td>
<td>1,512.3</td>
</tr>
<tr>
<td>Other payables</td>
<td>27.4</td>
<td>26.2</td>
<td>25.0</td>
</tr>
<tr>
<td>Provisions</td>
<td>24.1</td>
<td>23.9</td>
<td>24.0</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>194.3</td>
<td>175.2</td>
<td>168.0</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>–</td>
<td>–</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,901.1</td>
<td>1,783.3</td>
<td>1,729.8</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,669.9</td>
<td>2,556.8</td>
<td>2,501.7</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,321.6</td>
<td>1,315.0</td>
<td>1,341.8</td>
</tr>
</tbody>
</table>

### Shareholders' equity

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2014 (unaudited)</th>
<th>As at 31 December 2013 (audited)</th>
<th>As at 30 June 2013 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary shares</strong></td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Share premium</strong></td>
<td>677.4</td>
<td>677.4</td>
<td>677.4</td>
</tr>
<tr>
<td><strong>Other reserves</strong></td>
<td>404.0</td>
<td>400.6</td>
<td>382.5</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td>239.3</td>
<td>236.3</td>
<td>280.2</td>
</tr>
<tr>
<td><strong>Equity attributable to shareholders of the parent</strong></td>
<td>1,321.1</td>
<td>1,314.7</td>
<td>1,340.5</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td>0.5</td>
<td>0.3</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>1,321.6</td>
<td>1,315.0</td>
<td>1,341.8</td>
</tr>
</tbody>
</table>
## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

### INMARSAT GROUP LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
(unaudited)

(US$ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Ordinary share capital</th>
<th>Share premium account</th>
<th>Share option reserve</th>
<th>Cash flow hedge reserve</th>
<th>Revaluation reserve</th>
<th>Currency reserve</th>
<th>Capital contribution reserve</th>
<th>Retained earnings</th>
<th>Non-controlling interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 1 January 2013 (audited)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share options charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Comprehensive Income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>135.5</td>
</tr>
<tr>
<td>Other comprehensive profit – before tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive profit – tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 30 June 2013 (unaudited)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,341.8</td>
</tr>
</tbody>
</table>

| **Balance as at 1 January 2014 (audited)** |                         |                       |                      |                        |                    |                 |                               |                  |                          | 1,315.0     |
| Share options charge   |                        |                       |                      |                        |                    |                 |                               |                  |                          |            |
| Dividends payable      |                        |                       |                      |                        |                    |                 |                               |                  |                          |            |
| **Adjustment to transfer to liabilities directly associated with assets held for sale** |                        |                       |                      |                        |                    |                 |                               |                  |                          |            |
| **Comprehensive Income:** |                       |                       |                      |                        |                    |                 |                               |                  |                          |            |
| Profit for the period  |                        |                       |                      |                        |                    |                 |                               |                  |                          | 147.8      |
| Other comprehensive loss – before tax |                        |                       |                      |                        |                    |                 |                               |                  |                          |            |
| Other comprehensive loss – tax |                        |                       |                      |                        |                    |                 |                               |                  |                          |            |
| **Balance at 30 June 2014 (unaudited)** |                         |                       |                      |                        |                    |                 |                               |                  |                          | 1,321.6     |
## INMARSAT GROUP LIMITED
### CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US$ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June</th>
<th>Six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>153.7</td>
<td>127.4</td>
</tr>
<tr>
<td>Interest received</td>
<td>–</td>
<td>0.3</td>
</tr>
<tr>
<td>Income taxes refunded/(paid)</td>
<td>3.0</td>
<td>(2.5)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>156.7</td>
<td>125.2</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(90.8)</td>
<td>(153.2)</td>
</tr>
<tr>
<td>Additions to capitalised development costs and other intangibles</td>
<td>(11.3)</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Own work capitalised</td>
<td>(7.3)</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Acquisition of subsidiaries and other investments</td>
<td>–</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Proceeds on disposal of assets</td>
<td>4.5</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(104.9)</td>
<td>(163.4)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(142.1)</td>
<td>(122.8)</td>
</tr>
<tr>
<td>Repayment of EIB Facility</td>
<td>(25.7)</td>
<td>(25.7)</td>
</tr>
<tr>
<td>Drawdown of Ex-Im Bank Facility</td>
<td>8.5</td>
<td>35.1</td>
</tr>
<tr>
<td>Redemption of Senior Notes due 2017</td>
<td>(882.8)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(82.2)</td>
<td>(152.7)</td>
</tr>
<tr>
<td><strong>Foreign exchange adjustment</strong></td>
<td>–</td>
<td>(0.6)</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(30.4)</td>
<td>(191.5)</td>
</tr>
</tbody>
</table>

### Movement in cash and cash equivalents

At beginning of period

|                                | 163.2                      | 402.6                    |
| **Net decrease in cash and cash equivalents** | 139.2                      | 330.5                    |

**As reported on balance sheet (net of bank overdrafts)**

|                                | 132.8                      | 211.1                    |

At end of period, comprising

|                                | 40.4                        | 68.6                      |
| short-term deposits with original maturity of less than three months | 96.5                       | 147.0                     |
| **Bank overdrafts**            | (4.1)                      | (4.1)                    |

|                                | 132.8                      | 211.1                    |

Page 20 of 29
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 5 August 2014.

The financial information 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 Group results for the three months ended 30 June 2014 have been prepared using International Financial Reporting Standards (“IFRS”) as adopted by the European Union and in accordance with International Accounting Standards (“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 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 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 period ended 30 June 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 Group Limited 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 period and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IFRS 10 – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014);
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2014);
• IFRS 12 – Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014);
• IAS 27 (revised) – Separate Financial Statements (2011) – this standard supersedes IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 January 2014);
• IAS 28 (revised) – Investments in Associates and Joint Ventures (2011) – this standard supersedes IAS 28 Investments in Associates (effective for financial years beginning on or after 1 January 2014);
• Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for financial years beginning on or after 1 January 2014);
• Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective for financial years beginning on or after 1 January 2014);
• IAS 32 (amended) – Financial Instruments – Offseting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014);
• IAS 36 (amended) – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014);
• IAS 39 (amended) – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014); and
• IFRIC 21 – Levies (effective for financial years beginning on or after 1 January 2014).

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 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 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.

The Group’s reportable segments are therefore as follows:
• Inmarsat Global – which is principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a stand-alone basis and in aggregate;
- Inmarsat Solutions – distribution partner for the supply of advanced mobile and fixed-site remote telecommunications services. The segment also includes the provision of customised turnkey remote telecommunications solutions, value-added services and equipment to intermediary service providers and end-users. Prior to 31 January 2014, the segment also included microwave services and the supply of engineering services, which were disposed of as part of the sale of the majority of the Group’s retail energy assets to RIGNet; and

- ‘Unallocated’ – includes Group borrowings and the related finance expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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 investment revenue, finance costs and income tax expense.

**Segment information:**

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 30 June 2014</th>
<th>Six months ended 30 June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inmarsat Global</td>
<td>Inmarsat Solutions</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External sales</td>
<td>128.1</td>
<td>179.5</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>80.3</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>208.4</td>
<td>188.8</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>141.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Segment result (operating profit/(loss)) before operating profit from LightSquared</td>
<td>96.1</td>
<td>(5.7)</td>
</tr>
<tr>
<td>Operating profit from LightSquared</td>
<td>1.7</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(44.2)</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Segment result (operating profit/(loss))</strong></td>
<td>53.6</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Net finance expense charged to the Income Statement</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>49.1</td>
<td>–</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(7.2)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>41.9</td>
<td>–</td>
</tr>
<tr>
<td>Capital expenditure(^2)</td>
<td>(99.6)</td>
<td>(14.9)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(37.9)</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>(5.8)</td>
<td>(11.7)</td>
</tr>
</tbody>
</table>

\(^1\) Our Inmarsat Solutions segment includes Globe Wireless LLC ("Globe Wireless") from 1 January 2014 (see note 7) and excludes the majority of our retail energy business sold to RIGNet, Inc from 31 January 2014.

\(^2\) Capital expenditure stated using accruals basis. The intercompany elimination primarily relates to intersegmental asset sales.
CONDE$$ UNAUDITED FINANCIAL STATEMENTS (continued)

<table>
<thead>
<tr>
<th>(US$ in millions)</th>
<th>Three months ended 30 June 2013</th>
<th>Six months ended 30 June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inmarsat Global</td>
<td>Inmarsat Solutions</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External sales</td>
<td>134.9</td>
<td>191.7</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>71.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Total revenues</td>
<td>206.4</td>
<td>195.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>149.9</td>
<td>23.5</td>
</tr>
</tbody>
</table>

Segment result (operating profit/(loss)) before operating profit from LightSquared

<table>
<thead>
<tr>
<th>LightSquared</th>
<th>Operating profit from LightSquared</th>
</tr>
</thead>
<tbody>
<tr>
<td>110.8</td>
<td>7.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LightSquared</th>
<th>Operating profit from LightSquared</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment result (operating profit/(loss))</th>
<th>net finance expense charged to the Income Statement</th>
<th>Profit before income tax</th>
<th>Income tax expense</th>
<th>Profit for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>111.9</td>
<td>112.8</td>
<td>(42.0)</td>
<td>70.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(191.3)</td>
<td>(32.7)</td>
<td>(5.3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(16.2)</td>
<td>3.6</td>
<td>(11.2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(0.1)</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(20.4)</td>
<td>(29.1)</td>
<td>(16.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(303.9)</td>
<td>(65.3)</td>
<td>(10.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(32.2)</td>
<td>(10.1)</td>
<td>(22.4)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure</th>
<th>Depreciation</th>
<th>Amortisation of intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(336.0)</td>
<td>(75.4)</td>
<td>(32.9)</td>
</tr>
</tbody>
</table>

During the three months ending 30 September 2014, the Group will revise its reporting segments to reflect the way the business is increasingly being managed by the CODM. The revised reporting segments will be "Maritime", "Government", "Enterprise" and "Aviation". These four reporting segments will be supported by "Central Services," which will include all other income that is not directly attributable to the individual reporting segments and all corporate costs.

1 Includes TC Communications Pty Ltd ("TC Comms") from 8 May 2013.

2 Capital expenditure stated using accruals basis.
### 4. Net finance expense

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Three months ended June 30</th>
<th>Six months ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Senior Notes and credit facilities</td>
<td>(23.7)</td>
<td>(22.1)</td>
</tr>
<tr>
<td>Interest on Inmarsat Solutions borrowings</td>
<td>(0.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Pension and post-employment liability finance costs</td>
<td>(0.1)</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>–</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Unwinding of discount on deferred satellite liabilities</td>
<td>(0.4)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Amortisation of debt issue costs</td>
<td>(9.6)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Amortisation of discount on Senior Notes due 2022</td>
<td>(0.1)</td>
<td>–</td>
</tr>
<tr>
<td>Redemption premium on Senior Notes due 2017</td>
<td>(32.8)</td>
<td>–</td>
</tr>
<tr>
<td>Intercompany interest payable</td>
<td>(0.9)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Other interest</td>
<td>(0.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Finance expense</strong></td>
<td><strong>(67.8)</strong></td>
<td><strong>(27.6)</strong></td>
</tr>
<tr>
<td>Less: Amounts included in the cost of qualifying assets</td>
<td>18.6</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total finance expense</strong></td>
<td><strong>(49.2)</strong></td>
<td><strong>(7.6)</strong></td>
</tr>
<tr>
<td>Bank interest receivable and other interest</td>
<td>–</td>
<td>0.4</td>
</tr>
<tr>
<td>Net amortisation of premium on Senior Notes due 2017</td>
<td>5.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Pension and post-employment liability finance income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Intercompany interest receivable</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total finance income</strong></td>
<td><strong>5.7</strong></td>
<td><strong>0.8</strong></td>
</tr>
<tr>
<td><strong>Net finance expense</strong></td>
<td><strong>(43.5)</strong></td>
<td><strong>(6.8)</strong></td>
</tr>
</tbody>
</table>
CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

5. Net Borrowings

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

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2014</th>
<th></th>
<th>As at 31 December 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Net balance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deferred finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>4.1</td>
<td>–</td>
<td>4.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Deferred satellite</td>
<td>8.4</td>
<td>–</td>
<td>8.4</td>
<td>10.6</td>
</tr>
<tr>
<td>payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EiB Facility</td>
<td>44.1</td>
<td>–</td>
<td>44.1</td>
<td>44.1</td>
</tr>
<tr>
<td>Ex-Im Bank Facility</td>
<td>40.2</td>
<td>–</td>
<td>40.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Total current</td>
<td>96.8</td>
<td>–</td>
<td>96.8</td>
<td>71.9</td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred satellite</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Notes due 2017</td>
<td></td>
<td>–</td>
<td>20.8</td>
<td>23.6</td>
</tr>
<tr>
<td>– Net issuance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Notes due 2022</td>
<td></td>
<td>1,000.0</td>
<td>(9.1)</td>
<td>990.9</td>
</tr>
<tr>
<td>– Net issuance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EiB Facility</td>
<td>150.5</td>
<td>(0.9)</td>
<td>149.6</td>
<td>176.2</td>
</tr>
<tr>
<td>Ex-Im Bank Facility</td>
<td>518.7</td>
<td>(16.7)</td>
<td>502.0</td>
<td>530.2</td>
</tr>
<tr>
<td>Total non-current</td>
<td>1,682.0</td>
<td>(26.7)</td>
<td>1,655.3</td>
<td>1,585.9</td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash</td>
<td>(136.9)</td>
<td>–</td>
<td>(136.9)</td>
<td>(143.1)</td>
</tr>
<tr>
<td>equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>1,778.8</td>
<td>(26.7)</td>
<td>1,752.1</td>
<td>1,657.8</td>
</tr>
<tr>
<td>Net Borrowings</td>
<td>1,641.9</td>
<td>(26.7)</td>
<td>1,615.2</td>
<td>1,514.7</td>
</tr>
</tbody>
</table>

(a) On 15 April 2010, the Group signed an eight-year facility agreement from the European Investment Bank (the ‘EIB Facility’). Under the agreement, the Group was able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US Dollars. An initial drawdown of $180.0m was made on 30 April 2010 and a final drawdown of $128.4m was made on 28 October 2010. 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.

(b) On 11 May 2011, the Group signed a 12.5-year $700.0m direct financing agreement with the Export-Import Bank of the United States (the ‘Ex-Im Bank Facility’). The facility has a total availability period of 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.

(c) 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.

(d) 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 $991.3m, net of $8.1m issuance discount. In addition, we capitalised $9.2m of issuance costs in relation to the Senior Notes due 2022.

(e) 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 June 2014, there were no drawings on the Senior Credit Facility.
6. Financial instruments fair value disclosures

The Group held financial instruments at fair value at 30 June 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:

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2014</th>
<th>As at 30 June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurring fair value measurements:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts – designated cash flow hedges</td>
<td>10.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Forward foreign currency contracts – undesignated</td>
<td>0.5</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts – designated cash flow hedges</td>
<td>(0.3)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Forward foreign currency contracts – undesignated</td>
<td>–</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Interest rate swap – designated cash flow hedge</td>
<td>–</td>
<td>(4.8)</td>
</tr>
<tr>
<td><strong>Total net fair value</strong></td>
<td>10.9</td>
<td>(7.5)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Financial liabilities:</th>
<th>Carrying value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at 30 June 2014</td>
<td>As at 31 December 2013</td>
</tr>
<tr>
<td>Senior Notes due 2022</td>
<td>1,000.0</td>
<td>–</td>
</tr>
<tr>
<td>Senior Notes due 2017</td>
<td>–</td>
<td>850.0</td>
</tr>
</tbody>
</table>

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 and six months ended 30 June 2014 include the financial results of Globe Wireless from 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):

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>Book value</th>
<th>Provisional fair value adjustments</th>
<th>Provisional fair value at acquisition date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets acquired:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>12.7</td>
<td>10.9</td>
<td>23.6</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3.2</td>
<td></td>
<td>3.2</td>
</tr>
<tr>
<td>Other assets</td>
<td>0.2</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>16.1</td>
<td>10.9</td>
<td>27.0</td>
</tr>
<tr>
<td>Trade and other receivables&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>22.0</td>
<td></td>
<td>22.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>3.7</td>
<td></td>
<td>3.7</td>
</tr>
<tr>
<td>Other assets</td>
<td>2.4</td>
<td></td>
<td>2.4</td>
</tr>
<tr>
<td>Total current assets</td>
<td>28.1</td>
<td></td>
<td>28.1</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(14.7)</td>
<td></td>
<td>(14.7)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(3.0)</td>
<td></td>
<td>(3.0)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(4.7)</td>
<td></td>
<td>(4.7)</td>
</tr>
<tr>
<td>Current borrowings</td>
<td>(0.1)</td>
<td></td>
<td>(0.1)</td>
</tr>
<tr>
<td>Non-current borrowings</td>
<td>(0.9)</td>
<td></td>
<td>(0.9)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(23.4)</td>
<td></td>
<td>(23.4)</td>
</tr>
<tr>
<td><strong>Identifiable net assets</strong></td>
<td>20.8</td>
<td>10.9</td>
<td>31.7</td>
</tr>
</tbody>
</table>

| Provisional cash consideration       | 45.5       |                                   |
| Provisional goodwill recognised<sup>(c)</sup> | 13.8     |

(a) 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.

(b) 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.

(c) 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 three months ended 30 June 2014 contributed by Globe Wireless since the acquisition date was $21.1m. Globe Wireless also contributed a profit after tax of $1.0m, during the three months ended 30 June 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.

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.

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.

No accurate estimation of the time required to settle this matter can currently be given.

9. Events after the balance sheet date

Subsequent to 30 June 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.