

# **INMARSAT GROUP LIMITED**

## **CONDENSED CONSOLIDATED FINANCIAL RESULTS**

**For the three and six months ended  
30 June 2013  
(unaudited)**

## **Forward-Looking Statements**

*This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” or, in each case, their negative and words of similar meaning are forward-looking.*

*By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group’s actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the Group’s Annual Report for the year ended 31 December 2012, which can be accessed via our website at [www.inmarsat.com](http://www.inmarsat.com).*

*As a consequence, the Group’s future financial condition, results of operations and cash flows, as well as the development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on the Group’s behalf.*

## **Non-IFRS Measures**

*In addition to International Financial Reporting Standards (“IFRS”) measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-IFRS measures are given, this is clearly indicated and the comparable IFRS measure is also given.*

### Net Borrowings

*Net borrowings is defined as total borrowings less cash at bank and in hand less short-term deposits with an original maturity of less than three months. We use net borrowings as a part of our internal debt analysis. We believe that net borrowings is a useful measure as it indicates the level of borrowings after taking account of the financial assets within our business that could be utilised to pay down the outstanding borrowings. In addition the net borrowings balance provides an indication of the net borrowings on which we are required to pay interest.*

### Free Cash Flow

*We define free cash flow (“FCF”) as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. Other companies may define FCF differently and, as a result, our measure of FCF may not be directly comparable to the FCF of other companies.*

*FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to profit for the period and operating profit as a measure of our performance and net cash generated from operating activities as a measure of our liquidity, or any other performance measures derived in accordance with IFRS.*

*We believe FCF is an important financial measure for use in evaluating our financial performance and liquidity and that it provides supplemental information to our statement of cash flows.*

## EBITDA

*We define EBITDA as profit before interest, taxation, depreciation and amortisation, loss on disposal of assets, impairment losses and share of profit of associates. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.*

*EBITDA and the related ratios are supplemental measures of our performance and liquidity under IFRS that are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS.*

*We believe EBITDA, among other measures, facilitates operating performance comparisons from period to period and management decision-making. It also facilitates operating performance comparisons from company to company. EBITDA eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of tangible and intangible assets (affecting relative depreciation and amortisation expense). We also present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, the vast majority of which present EBITDA when reporting their results.*

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## **Operating and Financial Review**

*The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the three months ended 30 June 2013. 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.*

### **Overview**

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Inmarsat is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating an L-band satellite-based network. With an in-orbit fleet of 10 owned and operated geostationary satellites, our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and video conferencing. Our Inmarsat Solutions business, comprising our direct and indirect distribution business, offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of global and regional satellite system operators, predominantly the Inmarsat satellite system, and through owned and operated microwave and satellite telecommunications facilities.

In addition to our established L-band satellite services business, we are implementing our Global Xpress ("GX") programme, a US\$1.2 billion investment project. GX will offer seamless global coverage and deliver Ka-band satellite services with broadband speeds of up to 50 Mbps for users in the government, maritime, energy, enterprise and aviation sectors. GX services will be supported by a constellation of three Ka-band satellites, the Inmarsat-5 satellites, being built by Boeing Space and Intelligence Systems ("Boeing").

The Group's revenues for the three months ended 30 June 2013 were US\$326.6m (2012: US\$329.4m), EBITDA was US\$174.0m (2012: US\$176.0m) and operating profit was US\$119.6m (2012: US\$114.7m). The results of the Group's operations are reported in US Dollars as the majority of our revenues and borrowings are denominated in US Dollars.

### **Global Xpress Programme Update**

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Our GX programme remains on budget and we expect the first satellite to be ready for launch before the end of 2013. The first satellite (Inmarsat-5 F1) is now fully assembled, has passed mechanical tests and is undergoing Thermal Vacuum testing at the Boeing facilities in El Segundo, California. Once completed, the satellite will be ready for shipment to the launch site. The Inmarsat-5 F2 and F3 satellites are currently being integrated, and are expected to be delivered in early and mid-2014, allowing for a launch programme to complete global coverage by the end of 2014.

Inmarsat has a contract with International Launch Services ("ILS") for the launch of the three Inmarsat-5 satellites using the Proton launch vehicle. On 2 July 2013, a Proton launch vehicle failed shortly after lift-off, resulting in the loss of three Glonass navigation satellites. The cause of the failure will be assessed by a joint process known as the Failure Review Oversight Board and a report of its findings is expected to be completed by mid-August. While it is too early to determine any schedule impact of the failure, there is a risk of a short delay to the launch of the first Inmarsat-5 satellite and, therefore to the start of GX services. However, given that the satellite manufacturing and delivery schedule remains on track, a delay to the first Inmarsat-5 satellite launch will not necessarily mean an equivalent delay to the second and third launches and therefore to the completion of global coverage.

The ground network for GX services is also being deployed around the world; the Inmarsat-5 F1 ground stations have been completed and passed final testing in Fucino (Italy) and Nemea (Greece). The ground stations for Inmarsat-5 F2 are also completed, and undergoing final testing in North America (Lino Lakes in the US and Winnipeg in Canada), while preliminary work for the Inmarsat-5 F3 Pacific ocean region ground stations is underway. The modulation, encoding and network management, based on iDirect's established access technology, is also progressing satisfactorily, and is expected to be ready to meet the launch schedule for the first round of integrated live verification and demonstration testing.

Terminal development contracts have been awarded to several established manufacturers, and cover target markets and applications, including maritime (Cobham, Intellian, JRC), aviation (Honeywell) and a wide array of land terminals both fixed and portable, large and small, for applications in varying environments (Paradigm, Cobham, L-3, Skyware).

In the three months ended 30 June 2013, we announced the appointment of NSSL Global Limited and E-3 Systems as further Value-Added Resellers of GX services to the maritime market, making eight in total.

### ***Launch of Alphasat***

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On 25 July 2013, our Alphasat satellite was successfully launched on an Arianespace 5 ECA launch vehicle from the Kourou space port in French Guiana. Following the launch, the satellite was acquired by our satellite control centre in London at 21.47 BST and since that time has been undergoing the early stages of in-orbit deployment. At this time the deployment is proceeding in line with expectations and the solar panels have been successfully deployed. The satellite will undergo in-orbit testing for 5 weeks before being moved to an operational orbit at 25E degrees; we expect commercial operations to begin in the fourth quarter. Alphasat will enhance our Inmarsat-4 network and provide resilience to the risk of a satellite failure. With Alphasat deployed we will have in-orbit redundancy, meaning a failure of either Alphasat or any one Inmarsat-4 satellite would not affect our ability to continue to offer global coverage in L-band via the remaining satellites.

The Alphasat satellite is capable of providing our services across the complete 41 MHz of L-band mobile satellite spectrum available over the EMEA region. This capability provides greater flexibility in spectrum utilisation compared to the current Inmarsat-4 satellite for the EMEA region which is limited to providing service across 27 MHz of the L-band. In addition, we expect Alphasat's advanced digital processor capability and optimised antenna coverage will allow up to 50% more capacity for our services as compared to an Inmarsat-4 satellite. Alphasat was built by EADS Astrium Satellites with a design life of 15 years and incorporates the Alphasat platform which was developed in a project sponsored by the European Space Agency and CNES. Inmarsat's investment in Alphasat was financed by a loan from the European Investment Bank.

### ***Inmarsat Global Services***

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During the period, we announced the following new services and developments aimed at broadening our customer base and increasing revenues from our existing users:

- On 4 April 2013, we announced that a new BGAN high data rate ("HDR") streaming terminal is being developed and is scheduled for commercial launch in the third quarter of 2013. It will be the first terminal capable of accessing Inmarsat's new HDR service, which will offer media organisations and broadcasters significantly increased streaming rates; and
- On 24 April 2013, we announced that the Hughes 9502 BGAN M2M terminal with integrated antenna had been fully "Type Approved" by Inmarsat and that commercial shipments have begun.

### ***De-orbit of Inmarsat-2 F1***

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During April 2013, we de-orbited our Inmarsat-2 F1 satellite. The satellite was the first of Inmarsat's second generation and its longest serving. Launched in 1990, with a design life of 10 years, it provided a reliable service for more than 22 years. The satellite carried lease traffic, the bulk of which has been migrated onto other satellites. We have one Inmarsat-2 satellite remaining in service.

### ***Inmarsat Solutions Services***

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On 9 May 2013, we announced the extension of our microwave services in the Gulf of Mexico through the introduction of a new stabilised microwave service, designed to expand the reach of our existing Gulf of Mexico service to locations further offshore.

In addition, take-up of our FleetBroadband Unlimited service continued during the quarter and we announced that Beltship Management Limited and Swire Pacific Offshore had deployed the service across over 70 vessels.

### ***LightSquared Cooperation Agreement***

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In April 2012, we agreed to amend our Cooperation Agreement with LightSquared and suspend all payments under the agreement until April 2014. As a result LightSquared has no payment obligations under the Cooperation Agreement until April 2014. We continue to recognise some limited amounts under the Cooperation Agreement as we incur certain costs in maintaining our readiness to perform obligations under the agreement. As at 30 June 2013, we had deferred income in relation to the Cooperation Agreement of US\$259.8m recorded on our balance sheet. During the three months ended 30 June 2013 we recognised EBITDA of US\$1.1m in relation to the Cooperation Agreement (three months ended 30 June 2012: US\$1.7m).

### ***Acquisition of TC Communications***

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On 8 May 2013, we acquired the shares of TC Communications Pty Ltd ("TC Comms") of Australia. The operations of TC Comms have been integrated within our Inmarsat Solutions business and provide a particular focus on supporting our expanding Global Government and Enterprise business units.

### ***Vertical Market Presentation of Revenue***

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As in previous periods, the commentary within this report is based on our two operating segments: Inmarsat Global and Inmarsat Solutions. In addition, a breakdown of total revenue by business unit has been provided, which shows operations by vertical market segment.

Our four market-facing business units are:

- Inmarsat Commercial Maritime, focusing on worldwide commercial maritime opportunities;
- Inmarsat Government, focusing on US Government opportunities, both military and civil;
- Inmarsat Global Government, focusing on worldwide (i.e. non-US) civil and military government opportunities; and
- Inmarsat Enterprise, focusing on worldwide energy, industry, media, carriers, commercial aviation and M2M opportunities.

### ***Dividends***

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The Board intends to declare and pay an interim dividend for the 2013 financial year of US\$79.8m to Inmarsat Holdings Limited on 25 October 2013. 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 2013.

## Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat Group Limited for the three months ended 30 June 2013. We report two operating segments, Inmarsat Global and Inmarsat Solutions.

The table below sets out the results of the Group for the periods indicated:

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
<b>Revenue</b>	<b>326.6</b>	<b>329.4</b>	<b>(0.9%)</b>	<b>640.3</b>	<b>684.2</b>	<b>(6.4%)</b>
Employee benefit costs	(58.5)	(54.2)	7.9%	(118.4)	(108.3)	9.3%
Network and satellite operations costs	(71.9)	(73.8)	(2.6%)	(146.3)	(141.2)	3.6%
Other operating costs	(29.4)	(31.3)	(6.1%)	(60.2)	(65.1)	(7.5%)
Own work capitalised	7.2	5.9	22.0%	13.7	11.7	17.1%
<b>Total net operating costs</b>	<b>(152.6)</b>	<b>(153.4)</b>	<b>(0.5%)</b>	<b>(311.2)</b>	<b>(302.9)</b>	<b>2.7%</b>
<b>EBITDA</b>	<b>174.0</b>	<b>176.0</b>	<b>(1.1%)</b>	<b>329.1</b>	<b>381.3</b>	<b>(13.7%)</b>
<i>EBITDA excluding LightSquared</i>	<i>172.9</i>	<i>174.3</i>	<i>(0.8%)</i>	<i>327.1</i>	<i>332.0</i>	<i>(1.5%)</i>
Depreciation and amortisation	(45.6)	(61.4)	(25.7%)	(108.3)	(122.5)	(11.6%)
Loss on disposal of assets	–	(0.1)	–	–	(0.1)	–
Impairment losses	(9.4)	–	–	(9.4)	–	–
Share of profit of associates	0.6	0.2	200.0%	1.4	0.6	133.3%
<b>Operating profit</b>	<b>119.6</b>	<b>114.7</b>	<b>4.3%</b>	<b>212.8</b>	<b>259.3</b>	<b>(17.9%)</b>
Interest receivable and similar income	0.8	0.4	100.0%	2.2	0.8	175.0%
Interest payable and similar charges	(7.6)	(11.2)	(32.1%)	(15.9)	(23.2)	(31.5%)
Net interest payable	(6.8)	(10.8)	(37.0%)	(13.7)	(22.4)	(38.8%)
<b>Profit before income tax</b>	<b>112.8</b>	<b>103.9</b>	<b>8.6%</b>	<b>199.1</b>	<b>236.9</b>	<b>(16.0%)</b>
Income tax expense	(42.0)	(26.8)	56.7%	(63.4)	(55.8)	13.6%
<b>Profit for the period</b>	<b>70.8</b>	<b>77.1</b>	<b>(8.2%)</b>	<b>135.7</b>	<b>181.1</b>	<b>(25.1%)</b>

### Revenues

Total Group revenues for the three months ended 30 June 2013 decreased by 0.9% compared with the three months ended 30 June 2012. The table below sets out the components, by segment, of the Group's total revenue for each of the periods indicated:

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Inmarsat Global:						
Wholesale MSS	195.9	188.9	3.7%	380.5	366.9	3.7%
LightSquared	2.2	3.3	(33.3%)	5.1	54.6	(90.7%)
Other	8.3	12.1	(31.4%)	18.3	19.7	(7.1%)
Total Inmarsat Global segment	206.4	204.3	1.0%	403.9	441.2	(8.5%)
Inmarsat Solutions	195.1	205.4	(5.0%)	384.6	396.2	(2.9%)
	401.5	409.7	(2.0%)	788.5	837.4	(5.8%)
Intercompany eliminations and adjustments	(74.9)	(80.3)		(148.2)	(153.2)	
<b>Total revenue</b>	<b>326.6</b>	<b>329.4</b>	<b>(0.9%)</b>	<b>640.3</b>	<b>684.2</b>	<b>(6.4%)</b>



### **Net operating costs**

Total Group net operating costs for three months ended 30 June 2013 decreased by 0.5%, compared with the three months ended 30 June 2012. The table below sets out the components, by segment, of the Group's net operating costs for each of the periods indicated:

(US\$ in millions)	Three months ended			Six months ended		
	2013	2012	Increase/ (decrease)	2013	2012	Increase
Inmarsat Global	56.5	55.5	1.8%	114.6	113.2	1.2%
Inmarsat Solutions	171.6	177.5	(3.3%)	344.4	342.8	0.5%
	228.1	233.0	(2.1%)	459.0	456.0	0.7%
Intercompany eliminations and adjustments	(75.5)	(79.6)		(147.8)	(153.1)	
<b>Total net operating costs</b>	<b>152.6</b>	<b>153.4</b>	<b>(0.5%)</b>	<b>311.2</b>	<b>302.9</b>	<b>2.7%</b>

### **EBITDA**

Group EBITDA for the three months ended 30 June 2013 decreased by 1.1% compared with the three months ended 30 June 2012. As a consequence, EBITDA margin has decreased slightly to 53.3% for the three months ended 30 June 2013, compared with 53.4% for the three months ended 30 June 2012. Below is a reconciliation of profit for the period to EBITDA for each of the periods indicated:

(US\$ in millions)	Three months ended			Six months ended		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
<b>Profit for the period</b>	70.8	77.1	(8.2%)	135.7	181.1	(25.1%)
Add back:						
Income tax expense	42.0	26.8	56.7%	63.4	55.8	13.6%
Net interest payable	6.8	10.8	(37.0%)	13.7	22.4	(38.8%)
Depreciation and amortisation	45.6	61.4	(25.7%)	108.3	122.5	(11.6%)
Loss on disposal of assets	–	0.1	–	–	0.1	–
Impairment losses	9.4	–	–	9.4	–	–
Share of profit of associates	(0.6)	(0.2)	200.0%	(1.4)	(0.6)	133.3%
<b>EBITDA</b>	<b>174.0</b>	<b>176.0</b>	<b>(1.1%)</b>	<b>329.1</b>	<b>381.3</b>	<b>(13.7%)</b>
<b>EBITDA margin %</b>	<b>53.3%</b>	<b>53.4%</b>		<b>51.4%</b>	<b>55.7%</b>	

### **Depreciation and amortisation**

The decrease in depreciation and amortisation of US\$15.8m for the three months ended 30 June 2013 primarily relates to a US\$15.5m depreciation adjustment in the Inmarsat Solutions segment to correct the prior period carrying values of certain assets relating to the former Stratos business.

### **Impairment losses**

During the three months ended 30 June 2013 impairment losses of US\$9.4m were recognised (three months ended 30 June 2012: US\$nil). In the three months ended 30 June 2013 a correction was made to depreciation relating to prior periods in the Inmarsat Solutions segment, which resulted in the carrying value of the Stratos cash-generating unit ("CGU") being increased above the estimated recoverable amount of the Stratos CGU at 31 December 2012. A further impairment charge has therefore been recognised based on the revised carrying amount of the CGU at 31 December 2012, above and beyond the impairment charge recognised in the year ending on that date. There is no impact on reported profit for the year in prior periods due to the offsetting depreciation adjustment and related goodwill impairment.

### **Operating profit**

As a result of the factors discussed above, operating profit for the three months ended 30 June 2013 was US\$119.6m, an increase of US\$4.9m, or 4.3%, compared with the three months ended 30 June 2012.

### **Interest**

Net interest payable for the three months ended 30 June 2013 was US\$6.8m, a decrease of US\$4.0m, or 37%, compared with the three months ended 30 June 2012.

Interest payable for the three months ended 30 June 2013 was US\$7.6m, a decrease of US\$3.6m, or 32%, compared with the three months ended 30 June 2012. The decrease is predominantly due to US\$20.0m of interest that was capitalised in the three months ended 30 June 2013 that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US\$13.7m capitalised in the three months ended 30 June 2012. The decrease was partially offset by increased interest following further drawdowns of our Ex-Im Bank Facility, the April 2012 issue of additional Senior Notes due 2017 and increased intercompany interest.

Interest receivable for the three months ended 30 June 2013 was US\$0.8m compared with US\$0.4m for the three months ended 30 June 2012. The increase in the three months ended 30 June 2013 is primarily due to US\$0.4m of amortisation on the net premium on the Senior Notes due 2017, following the April 2012 issue of additional Senior Notes (three months ended 30 June 2012: US\$0.1m).

***Profit before tax***

As a result of the factors discussed above, profit before tax for the three months ended 30 June 2013 was US\$112.8m, an increase of US\$8.9m, or 8.6% compared with the three months ended 30 June 2012.

***Income tax expense***

The tax charge for the three months ended 30 June 2013 was US\$42.0m, an increase of US\$15.2m, or 57%, compared with the three months ended 30 June 2012. The increase in the tax charge was largely driven by a provision of US\$7.8m for the potential tax liability in relation to the financing of a leasing transaction in respect of the Inmarsat-4 satellites (as discussed in note 8). In addition to this provision, there are additional one-off prior year adjustments giving rise to a tax charge of US\$3.8m, together with a charge of US\$2.8m relating to a correction to depreciation in the Inmarsat Solutions segment, which resulted from the additional non-deductible impairment charge. For the three months ended 30 June 2012, the reported tax charge included a prior year adjustment which resulted in a one off tax charge of US\$1.1m.

The effective tax rate for the three months ended 30 June 2013 was 37.2% compared with 25.8% for the three months ended 30 June 2012. If the effects of the above adjustments are removed, the effective tax rate for the three months ended 30 June 2013 was 24.5% compared with 24.7% for the three months ended 30 June 2012. The decrease in the adjusted effective tax rate is predominantly due to the reduction in the UK main rate of corporation tax from 24% to 23% with effect from 1 April 2013. This has the effect of lowering the average UK statutory tax rate for 2013, and therefore the rate upon which the three months ended 30 June 2013 tax charge is based, to 23.25%. For the three months ended 30 June 2012 the rate upon which the tax charge was based was 24.5%. For the three months ended 30 June 2013, the effect of this rate reduction is partially offset by unrecognised current year non-UK losses totalling US\$1.1m (three months ended 30 June 2012: US\$0.5m).

***Profit for the period***

As a result of the factors discussed above, profit for the three months ended 30 June 2013 was US\$70.8m, a decrease of US\$6.3m, or 8.2%, compared with the three months ended 30 June 2012.

## Inmarsat Global Results

### Revenues

During the three months ended 30 June 2013, revenues from Inmarsat Global were US\$206.4m, an increase of US\$2.1m, or 1.0%, compared with the three months ended 30 June 2012. MSS revenues increased by US\$7.0m, or 3.7%, period-on-period.

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 maritime data services. We continue to see encouraging growth in our land mobile IsatPhone Pro service. As in recent periods, growth in our land mobile sector has been partly offset by the continued expected decline in revenues from our BGAN and GAN services due to troop withdrawals from Afghanistan. In addition, we experienced a continued and expected decline in maritime voice revenues due to the impact of product mix changes and, more generally, we have experienced a decline in revenues from older services such as Inmarsat B, Mini M, Fleet, GAN and Swift 64, period-on-period, as users continue to migrate to newer services. The results also reflect the expected termination of certain lease business in 2012.

The table below sets out the components of Inmarsat Global's revenue for each of the periods indicated:

(US\$ in millions)	Three months ended			Six months ended		
	30 June 2013	2012	Increase/ (decrease)	30 June 2013	2012	Increase/ (decrease)
<b>Revenues</b>						
<b>Maritime sector:</b>						
Voice services	18.3	20.0	(8.5%)	36.7	41.4	(11.4%)
Data services	93.3	85.5	9.1%	178.6	159.5	12.0%
<b>Total maritime sector</b>	<b>111.6</b>	<b>105.5</b>	<b>5.8%</b>	<b>215.3</b>	<b>200.9</b>	<b>7.2%</b>
<b>Land mobile sector:</b>						
Voice services	5.1	2.9	75.9%	9.5	5.5	72.7%
Data services	28.5	30.1	(5.3%)	56.4	60.7	(7.1%)
<b>Total land mobile sector</b>	<b>33.6</b>	<b>33.0</b>	<b>1.8%</b>	<b>65.9</b>	<b>66.2</b>	<b>(0.5%)</b>
Aviation sector	28.2	25.4	11.0%	55.9	49.4	13.2%
Leasing	22.5	25.0	(10.0%)	43.4	50.4	(13.9%)
<b>Total MSS revenue</b>	<b>195.9</b>	<b>188.9</b>	<b>3.7%</b>	<b>380.5</b>	<b>366.9</b>	<b>3.7%</b>
Other income (including LightSquared)	10.5	15.4	(31.8%)	23.4	74.3	(68.5%)
<b>Total revenue</b>	<b>206.4</b>	<b>204.3</b>	<b>1.0%</b>	<b>403.9</b>	<b>441.2</b>	<b>(8.5%)</b>

Total active terminal numbers as at 30 June 2013 increased by 10.3%, compared with 30 June 2012. The table below sets out the active terminals by sector for each of the periods indicated:

(000's)	As at 30 June		
	2013	2012	Increase
Active terminals <sup>(a)</sup>			
Maritime	189.3	187.6	0.9%
Land mobile	172.1	140.1	22.8%
Aviation	16.2	14.5	11.7%
<b>Total active terminals</b>	<b>377.6</b>	<b>342.2</b>	<b>10.3%</b>

(a) 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 2013, we had 236,667 (2012: 221,099) M2M terminals.

The growth of active terminals in the maritime sector is primarily due to take-up of our FleetBroadband service, where we have seen active terminal numbers grow by 26% period-

over-period. This growth has been partially offset by the expected decline in active terminals of older services such as Inmarsat B and Fleet, where users have been migrating to our FleetBroadband service. The growth of active terminals in the land mobile sector is predominantly due to our IsatPhone Pro service. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 43%, period-over-period, partially offset by the decline in our other older aviation services.

**Maritime Sector.** During the three months ended 30 June 2013, revenues from the maritime sector were US\$111.6m, an increase of US\$6.1m, or 5.8%, compared with the three months ended 30 June 2012.

Revenues from data services in the maritime sector during the three months ended 30 June 2013 were US\$93.3m, an increase of US\$7.8m, or 9.1%, compared with the three months ended 30 June 2012. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in May 2012 and March 2013 and increased take-up and usage of our FleetBroadband terminals. During the three months ended 30 June 2013, we added 2,216 FleetBroadband subscribers, taking total active terminals to 37,943. Despite the overall revenue growth reported, customer migration to FleetBroadband from older services continues to be a constraint on our rate of revenue growth as the price of FleetBroadband services is typically lower than the price of equivalent services on the terminals being replaced. In addition, we continue to believe that the current economic environment for the shipping industry is impacting revenues in the maritime sector.

Revenues from voice services in the maritime sector during the three months ended 30 June 2013 were US\$18.3m, a decrease of US\$1.7m or 8.5%, compared with the three months ended 30 June 2012. We have continued to see voice revenues being negatively impacted by product mix changes as users transition from our older services to our FleetBroadband service, where the price of voice services is lower, and also by the substitution effect of voice usage moving to email and Voice Over IP, which we record as data revenues.

**Land Mobile Sector.** During the three months ended 30 June 2013, revenues from the land mobile sector were US\$33.6m, an increase of US\$0.6m, or 1.8%, compared with the three months ended 30 June 2012.

Revenues from data services in the land mobile sector during the three months ended 30 June 2013 were US\$28.5m, a decrease of US\$1.6m, or 5.3%, compared with the three months ended 30 June 2012. The decline in revenues is primarily due to troop withdrawals from Afghanistan. We estimate that global events including Afghanistan in the three months ended 30 June 2012 contributed US\$2.2m more revenue period-over-period, compared with the three months ended 30 June 2013. Although we continue to see growth in BGAN usage from new subscribers, this growth is unable to fully offset the impact of reduced revenues from Afghanistan.

Revenues from voice services in the land mobile sector during the three months ended 30 June 2013 were US\$5.1m, an increase of US\$2.2m, or 76%, compared with the three months ended 30 June 2012. The increase is due to growth in revenues from our IsatPhone Pro service. We ended the quarter with approximately 90,000 active subscribers, compared with approximately 65,000 at 30 June 2012. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth. In addition, our IsatPhone Pro revenues also benefited from pricing and package changes implemented in June 2012.

**Aviation Sector.** During the three months ended 30 June 2013, revenues from the aviation sector were US\$28.2m, an increase of US\$2.8m, or 11.0%, compared with the three months ended 30 June 2012. 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 reduced activity in Afghanistan.

**Leasing.** During the three months ended 30 June 2013, revenues from leasing were US\$22.5m, a decrease of US\$2.5m, or 10.0%, compared with the three months ended 30 June 2012. The decrease was expected and is predominantly due to the termination of certain government aviation and maritime contracts.

**Other income.** Other income for the three months ended 30 June 2013 was US\$10.5m, a decrease of US\$4.9m, or 32%, compared with the three months ended 30 June 2012. The decrease was primarily due to lower equipment sales and lower revenue in connection with our Cooperation Agreement with LightSquared. During the three months ended 30 June 2013, we recorded US\$5.1m of revenue relating to the sale of terminals and accessories (predominantly in relation to IsatPhone Pro) compared with US\$7.5m in the same period in 2012.

**Net operating costs**

Net operating costs for the three months ended 30 June 2013 increased by 1.8% compared with the three months ended 30 June 2012. Included within net operating costs for the three months ended 30 June 2013 are net costs in relation to our Global Xpress programme totalling US\$5.2m (three months ended 30 June 2012: US\$3.1m) and costs in relation to our Cooperation Agreement with LightSquared of US\$1.1m (three months ended 30 June 2012: US\$1.6m).

The table below sets out the components of Inmarsat Global's net operating costs for each of the periods indicated:

(US\$ in millions)	Three months ended			Six months ended		
	30 June 2013	30 June 2012	Increase/ (decrease)	30 June 2013	30 June 2012	Increase/ (decrease)
Employee benefit costs	29.4	25.0	17.6%	58.6	49.7	17.9%
Network and satellite operations costs	9.7	10.5	(7.6%)	19.1	20.6	(7.3%)
Other operating costs	22.9	24.8	(7.7%)	47.5	52.0	(8.7%)
Own work capitalised	(5.5)	(4.8)	14.6%	(10.6)	(9.1)	16.5%
<b>Net operating costs</b>	<b>56.5</b>	<b>55.5</b>	<b>1.8%</b>	<b>114.6</b>	<b>113.2</b>	<b>1.2%</b>

**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. Net operating costs in the three months ended 30 June 2013 have been impacted by an unfavourable movement in Inmarsat Global's hedged rate of exchange from US\$1.48/£1.00 in 2012 to US\$1.57/£1.00 in 2013. The movement in the hedged rate of exchange in the three months ended 30 June 2013 resulted in an increase in comparative costs of approximately US\$1.9m. We recently completed hedging arrangements for our anticipated sterling costs in 2014. As a result, we now expect our hedged rate of exchange for 2014 to be US\$1.54/£1.00.

**Employee benefit costs.** Employee benefit costs increased by US\$4.4m, or 17.6%, for the three months ended 30 June 2013 compared with the three months ended 30 June 2012. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (597 at 30 June 2013 compared with 568 at 30 June 2012), primarily to support our Global Xpress programme and within our business units. In addition, there was an unfavourable movement in the Group's hedged rate of exchange.

**Network and satellite operations costs.** Network and satellite operations costs for the three months ended 30 June 2013 decreased by US\$0.8m, or 7.6%, compared with the three months ended 30 June 2012, primarily due to lower in-orbit insurance costs following the annual contract renewal in August 2012.

**Other operating costs.** Other operating costs for the three months ended 30 June 2013 decreased by US\$1.9m, or 7.7%, compared with the three months ended 30 June 2012. In the three months ended 30 June 2013 we recorded a foreign exchange gain of US\$0.9m, compared with a foreign exchange loss of US\$0.6m in the three months ended 30 June 2012.

In addition, direct cost of sales decreased as a result of lower IsatPhone Pro terminal sales in the three months ended 30 June 2013, compared with the three months ended 30 June 2012.

**Own work capitalised.** Own work capitalised for the three months ended 30 June 2013 increased by US\$0.7m, or 14.6%, compared with the three months ended 30 June 2012, due to an increase in work capitalised in relation to our Global Xpress programme.

### Operating profit

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Increase	2013	2012	Increase/ (decrease)
Total revenue	206.4	204.3	1.0%	403.9	441.2	(8.5%)
Net operating costs	(56.5)	(55.5)	1.8%	(114.6)	(113.2)	1.2%
<b>EBITDA</b>	<b>149.9</b>	<b>148.8</b>	<b>0.7%</b>	<b>289.3</b>	<b>328.0</b>	<b>(11.8%)</b>
<i>EBITDA margin %</i>	72.6%	72.8%		71.6%	74.3%	
EBITDA excluding LightSquared and Global Xpress	154.0	150.2	2.5%	297.1	285.6	4.0%
<i>EBITDA margin % excluding LightSquared and Global Xpress</i>	75.4%	74.7%		74.5%	73.9%	
Depreciation and amortisation	(38.0)	(38.0)	–	(75.8)	(76.2)	(0.5%)
<b>Operating profit</b>	<b>111.9</b>	<b>110.8</b>	<b>1.0%</b>	<b>213.5</b>	<b>251.8</b>	<b>(15.2%)</b>

As a result of the factors discussed above, Inmarsat Global's operating profit increased by US\$1.1m, or 1.0% in the three months ended 30 June 2013, compared with the three months ended 30 June 2012.

### Inmarsat Solutions Results

On 8 May 2013, Inmarsat Solutions Limited completed the acquisition of TC Comms. The results of TC Comms for the period from 9 May 2013 to 30 June 2013 are included in the consolidated results of Inmarsat Solutions Limited; they do not have a material impact.

### Revenues

During the three months ended 30 June 2013, revenues from Inmarsat Solutions decreased by US\$10.3m, or 5.0%, compared with the three months ended 30 June 2012. We are continuing to see pressure on US Government contract renewals as a result of recent measures implemented by the US Government, including federal budget sequestration which took effect in the first quarter of 2013 and has mandated reductions of over 5% in US Government defence spending over the next two years. While the US Government has not stipulated which programmes or contracts will be affected by sequestration, there has been an immediate change in the contracting environment for our US Government business unit. We have experienced a significant reduction in revenue and margins due to a highly competitive contracting environment and sequestration is likely to result in fewer new contracting opportunities as programmes are cancelled, de-scoped or delayed.

The table below sets out the components of Inmarsat Solutions' revenues for each of the periods indicated:

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Decrease	2013	2012	Decrease
Inmarsat MSS	100.3	103.6	(3.2%)	193.0	198.5	(2.8%)
Broadband and Other MSS	94.8	101.8	(6.9%)	191.6	197.7	(3.1%)
<b>Total revenue</b>	<b>195.1</b>	<b>205.4</b>	<b>(5.0%)</b>	<b>384.6</b>	<b>396.2</b>	<b>(2.9%)</b>

**Inmarsat MSS.** Revenues derived from Inmarsat MSS for the three months ended 30 June 2013 decreased by US\$3.3m, or 3.2%, compared with the three months ended 30 June 2012. The decrease in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by a combination of lower leasing revenue, lower land sector revenue from Afghanistan and other world events and lower aviation revenue from the US Government, partially offset by

non-recurring revenue recognised during the three months ended 30 June 2013 of US\$4.6m in connection with the unused portion of a pre-paid capacity contract. As Inmarsat Solutions has a disproportionately higher share of both our leasing and BGAN business, the negative impact of these factors contributed to an overall decrease in revenue, even though Inmarsat Solutions benefited from strong growth in maritime revenues and other factors that contributed to an overall increase in MSS revenues at the wholesale level.

For the three months ended 30 June 2013, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 36% compared with the 39% share for the three months ended 30 June 2012.

**Broadband and Other MSS.** Broadband and Other MSS revenues primarily consist of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs and revenues from our US Government business relating to the provision of secure IP managed solutions and services to US Government agencies. It also includes 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. Other revenues included in this category include mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other engineering services.

Revenues from Broadband and Other MSS during the three months ended 30 June 2013 decreased by US\$7.0m, or 6.9%, compared with the three months ended 30 June 2012. 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. There were also decreases in equipment sales. These decreases were partially offset by increased Commercial Maritime business unit revenues as a result of growth in the number of ships serviced with XpressLink, as well as from growth in other business units.

#### **Net operating costs**

Net operating costs in the three months ended 30 June 2013 decreased by US\$5.9m, or 3.3%, compared with the three months ended 30 June 2012, primarily as a result of decreased costs of goods and services as a result of the decrease in revenues, especially lower equipment sales, partially offset by increased costs of goods and services in our US Government and Commercial Maritime business units. There was also a decrease in operating costs primarily in our US Government business as a result of a workforce reduction implemented to help offset the recent revenue and margin pressure in this business.

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:

(US\$ in millions)	Three months ended			Six months ended		
	30 June 2013	2012	Increase/ (decrease)	30 June 2013	2012	Increase/ (decrease)
Cost of goods and services <sup>(a)</sup>	128.6	132.4	(2.9%)	257.4	253.6	1.5%
Operating costs <sup>(a)</sup>	43.0	45.1	(4.7%)	87.0	89.2	(2.5%)
<b>Total operating costs</b>	<b>171.6</b>	<b>177.5</b>	<b>(3.3%)</b>	<b>344.4</b>	<b>342.8</b>	<b>0.5%</b>
Allocated as follows:						
Employee benefit costs	29.1	29.2	(0.3%)	59.8	58.6	2.0%
Network and satellite operations costs <sup>(b)</sup>	135.3	139.9	(3.3%)	270.5	268.9	0.6%
Other operating costs	8.5	9.5	(10.5%)	16.5	17.9	(7.8%)
Own work capitalised	(1.3)	(1.1)	18.2%	(2.4)	(2.6)	(7.7%)
<b>Net operating costs</b>	<b>171.6</b>	<b>177.5</b>	<b>(3.3%)</b>	<b>344.4</b>	<b>342.8</b>	<b>0.5%</b>

(a) There has been a change in the allocation of the costs included in cost of goods and services versus operating expenses effective from 1 January 2013, whereby all employee costs and network infrastructure operating costs are now included in operating costs instead of costs of goods and services. The comparative figures for the three months ended 30 June 2012 included in the table above have been restated to reflect this change.

(b) Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

**Cost of goods and services.** Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services related to our repair and service activity.

Cost of goods and services during the three months ended 30 June 2013 decreased by US\$3.8m, or 2.9%, compared with the three months ended 30 June 2012. The decrease is predominantly due to the decrease in revenues, especially lower equipment sales, partially offset by increased costs in our Commercial Maritime business unit as a result of increased revenue and changes in product mix to include more VSAT business and in our US Government business unit as a result of increased space segment cost for IP managed solutions and changes in product mix to include more equipment sales.

**Operating costs.** Operating costs during the three months ended 30 June 2013 decreased by US\$2.1m, or 4.7%, compared with the three months ended 30 June 2012. The decrease is primarily due to a workforce reduction in our US Government business and a decrease in other operating costs, partially offset by increased employee benefit costs related to an increased number of employees in other parts of the business.

### **Operating profit/(loss)**

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Total revenue	195.1	205.4	(5.0%)	384.6	396.2	(2.9%)
Cost of goods and services	(128.6)	(132.4)	(2.9%)	(257.4)	(253.6)	1.5%
<b>Gross margin</b>	<b>66.5</b>	<b>73.0</b>	<b>(8.9%)</b>	<b>127.2</b>	<b>142.6</b>	<b>(10.8%)</b>
<i>Gross margin %</i>	34.1%	35.5%		33.1%	36.0%	
Operating costs	(43.0)	(45.1)	(4.7%)	(87.0)	(89.2)	(2.5%)
<b>EBITDA</b>	<b>23.5</b>	<b>27.9</b>	<b>(15.8%)</b>	<b>40.2</b>	<b>53.4</b>	<b>(24.7%)</b>
<i>EBITDA margin %</i>	12.0%	13.6%		10.5%	13.5%	
Depreciation and amortisation	(7.6)	(23.4)	(67.5%)	(32.5)	(46.3)	(29.8%)
Loss on disposal of assets	–	(0.1)	–	–	(0.1)	–
Impairment losses	(9.4)	–	–	(9.4)	–	–
Share of profit of associates	0.6	0.2	200.0%	1.4	0.6	133.3%
<b>Operating profit/(loss)</b>	<b>7.1</b>	<b>4.6</b>	<b>54.3%</b>	<b>(0.3)</b>	<b>7.6</b>	<b>(103.9%)</b>

Operating profit during the three months ended 30 June 2013 increased by US\$2.5m, or 54%, compared with the three months ended 30 June 2012. The increase in operating profit was due to a decrease in depreciation and amortisation, partially offset by an increase in impairment losses and decreased EBITDA. The EBITDA reduction was due primarily to a decreased contribution from our US Government and Commercial Maritime VSAT businesses as a result of combined lower revenues and an increase in the cost of goods and services. In the three months ended 30 June 2013, a US\$15.5m correction was made to depreciation which resulted in lower depreciation and an increase in the carrying value of the Stratos CGU. A further impairment charge has therefore been recognised based on the revised carrying amount of the CGU at 31 December 2012, above and beyond the impairment charge recognised in the year ending on that date. There is no impact on reported profit for the year in prior periods due to the offsetting depreciation adjustment and related goodwill impairment.

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 2013 have decreased by US\$6.5m and 1.4%, respectively, compared with the three months ended 30 June 2012. These decreases are a result of a reduction in revenue and reduced gross margin percentages in our US Government and Commercial Maritime business units as a result of customer renewals at lower prices, the newer revenues being at lower margins and changes in product mix to include more equipment sales.



## ***Inmarsat Group Revenues by Business Unit***

Commentary on the Inmarsat Global and Inmarsat Solutions segmental results has been included within the respective sections of this report above. In addition, the table below shows the Group's total revenue split by business unit for each of the periods indicated:

(US\$ in millions)	Three months ended 30 June			Six months ended 30 June		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Commercial Maritime	132.9	127.9	3.9%	259.5	247.1	5.0%
US Government	80.8	91.3	(11.5%)	157.3	177.2	(11.2%)
Global Government	30.2	29.6	2.0%	61.4	59.5	3.2%
Enterprise	74.6	69.6	7.2%	145.9	133.8	9.0%
Total business unit revenue	318.5	318.4	–	624.1	617.6	1.1%
Other income (including LightSquared)	8.1	11.0	(26.4%)	16.2	66.6	(75.7%)
<b>Total revenue</b>	<b>326.6</b>	<b>329.4</b>	<b>(0.9%)</b>	<b>640.3</b>	<b>684.2</b>	<b>(6.4%)</b>

**Commercial Maritime.** Commercial Maritime revenues for the three months ended 30 June 2013 increased by US\$5.0m, or 3.9%, compared with the three months ended 30 June 2012. The increase is due to growth in our FleetBroadband service and price initiatives implemented in May 2012 and March 2013, partially offset by a reduction in revenues from older Commercial Maritime services due primarily to the migration to FleetBroadband. There was also an increase in Commercial Maritime VSAT revenue due to take-up of our XpressLink service. These increases have been partially offset by lower equipment sales.

**US Government.** US Government revenues for the three months ended 30 June 2013 decreased by US\$10.5m, or 11.5%, compared with the three months ended 30 June 2012. This 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. There is also lower leasing revenue and lower BGAN and Swift 64 revenues as a result of troop withdrawals from Afghanistan, partially offset by non-recurring revenue recognised during the three months ended 30 June 2013 of US\$4.6m in connection with the unused portion of a pre-paid capacity contract. As previously mentioned, we are continuing to see pressure on US Government contract renewals as a result of recent measures implemented by the US Government, including federal budget sequestration which took effect in the first quarter of 2013 and has mandated reductions of over 5% in US Government defence spending over the next two years.

**Global Government.** Global Government revenues for the three months ended 30 June 2013 increased by US\$0.6m, or 2.0%, compared with the three months ended 30 June 2012. The increase is primarily due to increased BGAN usage in the three months ended 30 June 2013, partially offset by decreases in leasing and GAN revenues.

**Enterprise.** Enterprise revenues for the three months ended 30 June 2013 increased by US\$5.0m, or 7.2%, compared with the three months ended 30 June 2012. This was driven by increased aviation revenues as a result of growth in both the business jet and commercial air transport business, increased GSPS airtime revenues as a result of growth in the number of IsatPhone Pro terminals activated and increased engineering revenue in the energy market. These increases have been partially offset by lower equipment sales.

## ***Group Liquidity and Capital Resources***

At 30 June 2013, the Group had cash and cash equivalents of US\$215.6m and available but undrawn borrowing facilities of US\$976.8m 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 continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of our borrowing facilities and debt securities.

The Group's net borrowings (gross of deferred finance costs) are presented below:

(US\$ in millions)	As at 30 June 2013	As at 31 December 2012
EIB Facility	238.6	264.3
Ex-Im Bank Facility	473.2	397.6
Senior Notes due 2017	850.0	850.0
– Net issuance premium	6.7	7.5
Deferred satellite payments	25.5	28.7
Bank overdrafts	4.5	0.8
<b>Total borrowings</b>	<b>1,598.5</b>	<b>1,548.9</b>
Cash and cash equivalents	(215.6)	(331.3)
<b>Net borrowings (gross of deferred finance costs)</b>	<b>1,382.9</b>	<b>1,217.6</b>

The table below shows the condensed consolidated cash flow for the Group for the periods indicated:

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Net cash from operating activities	125.2	177.1	279.9	362.1
Net cash (used in)/from investing activities, excluding capital expenditure	(1.5)	0.3	(2.6)	(13.1)
Capital expenditure, including own work capitalised	(161.9)	(137.3)	(271.5)	(246.3)
Dividends paid	(122.8)	(150.0)	(122.8)	(150.0)
Net cash (used in)/from financing activities, excluding dividends paid	(29.9)	211.6	(2.1)	252.9
Foreign exchange adjustment	(0.6)	1.0	(0.3)	0.5
<b>Net (decrease)/increase in cash and cash equivalents, including bank overdrafts</b>	<b>(191.5)</b>	<b>102.7</b>	<b>(119.4)</b>	<b>206.1</b>

The decrease in net cash generated from operating activities in the three months ended 30 June 2013, compared with the three months ended 30 June 2012, of US\$51.9m relates to movements in working capital, partially offset by reduced cash tax paid.

Net cash used in investing activities excluding capital expenditure, in the three months ended 30 June 2013 was US\$1.5m, compared with net cash from operating activities, excluding capital expenditure of US\$0.3m in the three months ended 30 June 2012.

Capital expenditure, including own work capitalised, increased by US\$24.6m in the three months ended 30 June 2013, compared with the three months ended 30 June 2012, primarily due to expenditure on our Global Xpress and Alphasat programmes.

During the three months ended 30 June 2013 the Company paid dividends of US\$122.8m, compared with US\$150.0m in the three months ended 30 June 2012.

Net cash used in financing activities, excluding the payment of dividends, in the three months ended 30 June 2013 was US\$29.9m, compared with net cash from financing activities, excluding the payment of dividends of US\$211.6m the three months ended 30 June 2012. During the three months ended 30 June 2013, we repaid US\$25.7m of our EIB facility, paid US\$35.8m of interest, incurred US\$1.2m arrangement costs of financing and paid US\$2.2m of intercompany funding. In addition, we drew down US\$35.1m on the Ex-Im Bank Facility.

During the three months ended 30 June 2012, we received gross issuance proceeds of US\$212.0m on the April 2012 issue of additional Senior Notes due 2017, we drew down

US\$19.9m of our Ex-Im Bank Facility and received US\$46.8m of intercompany funding. In addition, we paid cash interest of US\$37.1m, repaid US\$25.7m of our EIB Facility and paid arrangement costs of financing of US\$4.2m.

### ***Group Free Cash Flow***

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Cash generated from operations	127.4	204.2	293.8	402.1
Capital expenditure, including own work capitalised	(161.9)	(137.3)	(271.5)	(246.3)
Net cash interest paid	(35.5)	(36.5)	(46.3)	(44.5)
Cash tax paid	(2.5)	(27.7)	(14.6)	(41.2)
<b>Free cash flow</b>	<b>(72.5)</b>	<b>2.7</b>	<b>(38.6)</b>	<b>70.1</b>

In the three months ended 30 June 2013, we had negative free cash flow of US\$72.5m, compared with positive free cash flow of US\$2.7m in the three months ended 30 June 2012. The decrease is primarily due to a reduction in cash generated from operations and increased capital expenditures, partially offset by reduced cash tax paid.

### ***Recent Events***

We have separately announced today a strategic partnership with RigNet, Inc. ("RigNet") (NASDAQ: RNET), a leading global provider of managed remote telecommunications solutions to the oil and gas industry, to offer GX services to the energy sector. Under the terms of the agreement, RigNet will become a GX distribution partner and enter into a four-year GX capacity pre-purchase agreement. In connection with the agreement, we will sell our retail energy business to RigNet for a total cash consideration of US\$25m. The transaction is expected to close in early 2014. For more information see our separate press release dated 1 August 2013.

Subsequent to 30 June 2013, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated financial results of the Group.

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
(unaudited)

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
<b>Revenues</b>	<b>326.6</b>	<b>329.4</b>	<b>640.3</b>	<b>684.2</b>
Employee benefit costs	(58.5)	(54.2)	(118.4)	(108.3)
Network and satellite operations costs	(71.9)	(73.8)	(146.3)	(141.2)
Other operating costs	(29.4)	(31.3)	(60.2)	(65.1)
Own work capitalised	7.2	5.9	13.7	11.7
<b>Total net operating costs</b>	<b>(152.6)</b>	<b>(153.4)</b>	<b>(311.2)</b>	<b>(302.9)</b>
<b>EBITDA</b>	<b>174.0</b>	<b>176.0</b>	<b>329.1</b>	<b>381.3</b>
Depreciation and amortisation	(45.6)	(61.4)	(108.3)	(122.5)
Loss on disposal of assets	–	(0.1)	–	(0.1)
Impairment losses	(9.4)	–	(9.4)	–
Share of profit of associates	0.6	0.2	1.4	0.6
<b>Operating profit</b>	<b>119.6</b>	<b>114.7</b>	<b>212.8</b>	<b>259.3</b>
Interest receivable and similar income	0.8	0.4	2.2	0.8
Interest payable and similar charges	(7.6)	(11.2)	(15.9)	(23.2)
Net interest payable	(6.8)	(10.8)	(13.7)	(22.4)
<b>Profit before income tax</b>	<b>112.8</b>	<b>103.9</b>	<b>199.1</b>	<b>236.9</b>
Income tax expense	(42.0)	(26.8)	(63.4)	(55.8)
<b>Profit for the period</b>	<b>70.8</b>	<b>77.1</b>	<b>135.7</b>	<b>181.1</b>
<b>Attributable to:</b>				
Equity holders	70.7	77.1	135.5	181.0
Non-controlling interest	0.1	–	0.2	0.1

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(unaudited)

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
<b>Profit for the period</b>	<b>70.8</b>	<b>77.1</b>	<b>135.7</b>	<b>181.1</b>
<b>Other comprehensive income</b>				
<b>Amounts subsequently reclassified to the Income Statement:</b>				
Foreign exchange translation differences	(0.2)	–	(0.2)	–
Net gains/(losses) on cash flow hedges	3.3	(2.8)	(1.0)	0.6
Tax (charged)/credited directly to equity	(0.5)	(0.1)	0.1	(1.4)
<b>Amounts not subsequently reclassified to the Income Statement:</b>				
Actuarial gains from pension and post-retirement healthcare benefits	4.3	8.0	4.3	8.0
Tax charged directly to equity	(1.0)	(1.9)	(1.0)	(1.9)
<b>Other comprehensive income for the period, net of tax</b>	<b>5.9</b>	<b>3.2</b>	<b>2.2</b>	<b>5.3</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>76.7</b>	<b>80.3</b>	<b>137.9</b>	<b>186.4</b>
<b>Attributable to:</b>				
Equity holders	76.6	80.3	137.7	186.3
Non-controlling interest	0.1	–	0.2	0.1

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(unaudited)

(US\$ in millions)	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,325.1	2,081.6
Intangible assets	947.1	970.5
Investments	32.4	31.6
Other receivables	18.1	15.4
Derivative financial instruments	0.1	–
	<b>3,322.8</b>	<b>3,099.1</b>
<b>Current assets</b>		
Cash and cash equivalents	215.6	331.3
Trade and other receivables	278.2	293.6
Inventories	26.2	25.4
Derivative financial instruments	0.7	6.4
	<b>520.7</b>	<b>656.7</b>
<b>Total assets</b>	<b>3,843.5</b>	<b>3,755.8</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Borrowings	57.6	53.2
Trade and other payables	643.4	664.6
Provisions	2.8	5.5
Current income tax liabilities	60.3	39.2
Derivative financial instruments	7.8	11.4
	<b>771.9</b>	<b>773.9</b>
<b>Non-current liabilities</b>		
Borrowings	1,512.3	1,466.8
Other payables	25.0	25.7
Provisions	24.0	25.4
Deferred income tax liabilities	168.0	140.2
Derivative financial instruments	0.5	–
	<b>1,729.8</b>	<b>1,658.1</b>
<b>Total liabilities</b>	<b>2,501.7</b>	<b>2,432.0</b>
<b>Net assets</b>	<b>1,341.8</b>	<b>1,323.8</b>
<b>Shareholders' equity</b>		
Ordinary shares	0.4	0.4
Share premium	677.4	677.4
Other reserves	382.5	381.1
Retained earnings	280.2	263.8
<b>Equity attributable to shareholders of the parent</b>	<b>1,340.5</b>	<b>1,322.7</b>
Non-controlling interest	1.3	1.1
<b>Total equity</b>	<b>1,341.8</b>	<b>1,323.8</b>

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(unaudited)

(US\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Revaluation reserve	Currency reserve	Cash flow hedge reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2012</b> <b>(audited)</b>	<b>0.4</b>	<b>677.4</b>	<b>44.9</b>	<b>0.6</b>	<b>0.4</b>	<b>(11.4)</b>	<b>327.8</b>	<b>172.2</b>	<b>0.9</b>	<b>1,213.2</b>
Share options charge	–	–	5.1	–	–	–	–	–	–	5.1
Dividends payable	–	–	–	–	–	–	–	(50.0)	–	(50.0)
Comprehensive income:										
Profit for the period	–	–	–	–	–	–	–	181.0	0.1	181.1
Other comprehensive income – before tax	–	–	–	–	–	0.6	–	8.0	–	8.6
Other comprehensive income - tax	–	–	–	–	–	(1.4)	–	(1.9)	–	(3.3)
<b>Balance at 30 June 2012</b> <b>(unaudited)</b>	<b>0.4</b>	<b>677.4</b>	<b>50.0</b>	<b>0.6</b>	<b>0.4</b>	<b>(12.2)</b>	<b>327.8</b>	<b>309.3</b>	<b>1.0</b>	<b>1,354.7</b>
<b>Balance at 1 January 2013</b> <b>(audited)</b>	<b>0.4</b>	<b>677.4</b>	<b>54.8</b>	<b>0.6</b>	<b>0.4</b>	<b>(2.5)</b>	<b>327.8</b>	<b>263.8</b>	<b>1.1</b>	<b>1,323.8</b>
Share options charge	–	–	2.5	–	–	–	–	0.4	–	2.9
Dividends payable	–	–	–	–	–	–	–	(122.8)	–	(122.8)
Comprehensive income:										
Profit for the period	–	–	–	–	–	–	–	135.5	0.2	135.7
Other comprehensive income – before tax	–	–	–	–	(0.2)	(1.0)	–	4.3	–	3.1
Other comprehensive income - tax	–	–	–	–	–	0.1	–	(1.0)	–	(0.9)
<b>Balance at 30 June 2013</b> <b>(unaudited)</b>	<b>0.4</b>	<b>677.4</b>	<b>57.3</b>	<b>0.6</b>	<b>0.2</b>	<b>(3.4)</b>	<b>327.8</b>	<b>280.2</b>	<b>1.3</b>	<b>1,341.8</b>

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
(unaudited)

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
<b>Cash flow from operating activities</b>				
Cash generated from operations	127.4	204.2	293.8	402.1
Interest received	0.3	0.6	0.7	1.2
Income taxes paid	(2.5)	(27.7)	(14.6)	(41.2)
<b>Net cash from operating activities</b>	<b>125.2</b>	<b>177.1</b>	<b>279.9</b>	<b>362.1</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	(153.2)	(129.1)	(244.9)	(226.0)
Additions to capitalised development costs and other intangibles	(4.5)	(3.2)	(14.8)	(7.6)
Own work capitalised	(4.2)	(5.0)	(11.8)	(12.7)
Acquisition of subsidiaries and other investments	(1.5)	0.3	(2.6)	(13.1)
<b>Net cash used in investing activities</b>	<b>(163.4)</b>	<b>(137.0)</b>	<b>(274.1)</b>	<b>(259.4)</b>
<b>Cash flow from financing activities</b>				
Dividends paid	(122.8)	(150.0)	(122.8)	(150.0)
Repayment of EIB Facility	(25.7)	(25.7)	(25.7)	(25.7)
Drawdown of Ex-Im Bank Facility	35.1	19.9	75.6	70.0
Gross issuance proceeds of Senior Notes due 2017	–	212.0	–	212.0
Interest paid on borrowings	(35.8)	(37.1)	(47.0)	(45.7)
Arrangement costs of financing	(1.2)	(4.2)	(2.6)	(6.1)
Intercompany funding	(2.2)	46.8	(2.2)	48.6
Other financing activities	(0.1)	(0.1)	(0.2)	(0.2)
<b>Net cash (used in)/from financing activities</b>	<b>(152.7)</b>	<b>61.6</b>	<b>(124.9)</b>	<b>102.9</b>
Foreign exchange adjustment	(0.6)	1.0	(0.3)	0.5
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(191.5)</b>	<b>102.7</b>	<b>(119.4)</b>	<b>206.1</b>
<b>Movement in cash and cash equivalents</b>				
At beginning of period	402.6	267.9	330.5	164.5
Net (decrease)/increase in cash and cash equivalents	(191.5)	102.7	(119.4)	206.1
<b>As reported on balance sheet (net of bank overdrafts)</b>	<b>211.1</b>	<b>370.6</b>	<b>211.1</b>	<b>370.6</b>
<b>At end of period, comprising</b>				
Cash at bank and in hand	68.6	42.8	68.6	42.8
Short-term deposits with original maturity of less than three months	147.0	332.8	147.0	332.8
Bank overdrafts	(4.5)	(5.0)	(4.5)	(5.0)
	<b>211.1</b>	<b>370.6</b>	<b>211.1</b>	<b>370.6</b>

## NOTES TO THE CONDENSED 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 were approved by the Board of Directors for issue on 2 August 2013.

The financial information for the year ended 31 December 2012 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 2013 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 2012, and which are available on our website at [www.inmarsat.com](http://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 2012 annual consolidated financial statements prepared under IFRS, set out on pages 8 to 53. Operating results for the period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. The consolidated balance sheet as at 31 December 2012 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.

Taxes are accrued based on management's estimated annual effective income tax rate applied to the Group's interim pre-tax income. In addition, the following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IFRS 13 – Fair Value Measurement (effective for financial years beginning on or after 1 January 2013);
- IAS 1 (as amended) – Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for financial years beginning on or after 1 July 2012);
- IAS 19 (as amended) – Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for financial years beginning on or after 1 January 2013);
- IAS 27– Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for financial years beginning on or after 1 January 2013);
- IAS 28 – Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for financial years beginning on or after 1 January 2013);
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013); and



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Amendments resulting from the 'Annual Improvements 2009-2011 cycle' paper issued in May 2012 (effective for financial years beginning on or after 1 January 2013).

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 have 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.

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.

### *Basis of accounting*

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 amounts, events 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 operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("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.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Inmarsat Solutions.

The Group's reportable segments are therefore as follows:

- Inmarsat Global – 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 standalone basis and in aggregate;
- Inmarsat Solutions – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to service providers and end-users; and

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

- 'Unallocated' – includes Group borrowings and the related interest 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:

(US\$ in millions)	Three months ended 30 June 2013					Six months ended 30 June 2013				
	Inmarsat Global	Inmarsat Solutions <sup>(a)</sup>	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions <sup>(a)</sup>	Unallocated	Eliminations	Total
Revenues										
External sales	134.9	191.7	–	–	326.6	262.5	377.8	–	–	640.3
Inter-segment	71.5	3.4	–	(74.9)	–	141.4	6.8	–	(148.2)	–
<b>Total revenues</b>	<b>206.4</b>	<b>195.1</b>	<b>–</b>	<b>(74.9)</b>	<b>326.6</b>	<b>403.9</b>	<b>384.6</b>	<b>–</b>	<b>(148.2)</b>	<b>640.3</b>
<b>EBITDA</b>	<b>149.9</b>	<b>23.5</b>	<b>–</b>	<b>0.6</b>	<b>174.0</b>	<b>289.3</b>	<b>40.2</b>	<b>–</b>	<b>(0.4)</b>	<b>329.1</b>
Segment result (operating profit/(loss)) before operating profit from LightSquared	110.8	7.1	–	0.6	118.5	211.5	(0.3)	–	(0.4)	210.8
Operating profit from LightSquared	1.1	–	–	–	1.1	2.0	–	–	–	2.0
<b>Segment result (operating profit/(loss))</b>	<b>111.9</b>	<b>7.1</b>	<b>–</b>	<b>0.6</b>	<b>119.6</b>	<b>213.5</b>	<b>(0.3)</b>	<b>–</b>	<b>(0.4)</b>	<b>212.8</b>
Net interest charged to the Income Statement	–	–	(6.8)	–	(6.8)	–	–	(13.7)	–	(13.7)
<b>Profit before income tax</b>					<b>112.8</b>					<b>199.1</b>
Income tax expense					(42.0)					(63.4)
<b>Profit for the period</b>					<b>70.8</b>					<b>135.7</b>
Capital expenditure <sup>(b)</sup>	(191.3)	(16.2)	–	0.1	(207.4)	(303.9)	(32.2)	–	0.1	(336.0)
Depreciation	(32.7)	3.6	–	–	(29.1)	(65.3)	(10.1)	–	–	(75.4)
Amortisation of intangible assets	(5.3)	(11.2)	–	–	(16.5)	(10.5)	(22.4)	–	–	(32.9)

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

(b) Capital expenditure stated using accruals basis.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS**  
(continued)

(US\$ in millions)	Three months ended 30 June 2012					Six months ended 30 June 2012				
	Inmarsat Global	Inmarsat Solutions <sup>(a)</sup>	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions <sup>(a)</sup>	Unallocated	Eliminations	Total
Revenues										
External sales	127.2	202.2	–	–	329.4	294.2	390.0	–	–	684.2
Inter-segment	77.1	3.2	–	(80.3)	–	147.0	6.2	–	(153.2)	–
<b>Total revenues</b>	<b>204.3</b>	<b>205.4</b>	<b>–</b>	<b>(80.3)</b>	<b>329.4</b>	<b>441.2</b>	<b>396.2</b>	<b>–</b>	<b>(153.2)</b>	<b>684.2</b>
<b>EBITDA</b>	<b>148.8</b>	<b>27.9</b>	<b>–</b>	<b>(0.7)</b>	<b>176.0</b>	<b>328.0</b>	<b>53.4</b>	<b>–</b>	<b>(0.1)</b>	<b>381.3</b>
Segment result (operating profit) before operating profit from LightSquared	109.1	4.6	–	(0.7)	113.0	202.5	7.6	–	(0.1)	210.0
Operating profit from LightSquared	1.7	–	–	–	1.7	49.3	–	–	–	49.3
<b>Segment result (operating profit)</b>	<b>110.8</b>	<b>4.6</b>	<b>–</b>	<b>(0.7)</b>	<b>114.7</b>	<b>251.8</b>	<b>7.6</b>	<b>–</b>	<b>(0.1)</b>	<b>259.3</b>
Net interest charged to the Income Statement	–	–	(10.8)	–	(10.8)	–	–	(22.4)	–	(22.4)
<b>Profit before income tax</b>					<b>103.9</b>					<b>236.9</b>
Income tax expense					(26.8)					(55.8)
<b>Profit for the period</b>					<b>77.1</b>					<b>181.1</b>
Capital expenditure <sup>(b)</sup>	(110.8)	(21.4)	–	–	(132.2)	(203.7)	(25.3)	–	–	(229.0)
Depreciation	(33.3)	(11.9)	–	–	(45.2)	(66.8)	(23.4)	–	–	(90.2)
Amortisation of intangible assets	(4.7)	(11.5)	–	–	(16.2)	(9.4)	(22.9)	–	–	(32.3)

(a) Includes NewWave Broadband Limited from 13 January 2012.

(b) Capital expenditure stated using accruals basis.

**4. Net interest payable**

(US\$ in millions)	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Interest on Senior Notes and credit facilities	(22.1)	(20.9)	(43.3)	(38.3)
Interest on Inmarsat Solutions borrowings	(0.2)	(0.1)	(0.3)	(0.2)
Pension and post-employment liability finance costs	–	0.4	–	–
Interest rate swaps	(2.4)	(2.2)	(4.7)	(4.5)
Unwinding of discount on deferred satellite liabilities	(0.4)	(0.5)	(0.9)	(1.1)
Amortisation of debt issue costs	(1.6)	(1.5)	(3.4)	(3.0)
Amortisation of discount on Senior Notes due 2017	–	0.2	–	–
Intercompany interest payable	(0.7)	(0.3)	(1.8)	(0.4)
Other interest	(0.2)	–	(0.2)	(0.1)
<b>Interest payable and similar charges</b>	<b>(27.6)</b>	<b>(24.9)</b>	<b>(54.6)</b>	<b>(47.6)</b>
Less: Amounts included in the cost of qualifying assets	20.0	13.7	38.7	24.4
<b>Total interest payable and similar charges</b>	<b>(7.6)</b>	<b>(11.2)</b>	<b>(15.9)</b>	<b>(23.2)</b>
Bank interest receivable and other interest	0.4	0.3	0.7	0.7
Net amortisation of premium on Senior Notes due 2017	0.4	0.1	0.8	0.1
Pension and post-employment liability finance income	–	–	0.3	–
Intercompany interest receivable	–	–	0.4	–
<b>Total interest receivable and similar income</b>	<b>0.8</b>	<b>0.4</b>	<b>2.2</b>	<b>0.8</b>
<b>Net interest payable</b>	<b>(6.8)</b>	<b>(10.8)</b>	<b>(13.7)</b>	<b>(22.4)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

### 5. Net borrowings

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

(US\$ in millions)	As at 30 June 2013			As at 31 December 2012		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
<b>Current:</b>						
Bank overdrafts	4.5	–	4.5	0.8	–	0.8
Deferred satellite payments	9.0	–	9.0	8.3	–	8.3
EIB Facility <sup>(a)</sup>	44.1	–	44.1	44.1	–	44.1
<b>Total current borrowings</b>	<b>57.6</b>	<b>–</b>	<b>57.6</b>	<b>53.2</b>	<b>–</b>	<b>53.2</b>
<b>Non-current:</b>						
Deferred satellite payments	16.5	–	16.5	20.4	–	20.4
Senior Notes due 2017 <sup>(b)</sup>	850.0	(9.8)	840.2	850.0	(11.0)	839.0
– Net issuance premium	6.7	–	6.7	7.5	–	7.5
EIB Facility <sup>(a)</sup>	194.5	(1.3)	193.2	220.2	(1.6)	218.6
Ex-Im Bank Facility <sup>(c)</sup>	473.2	(17.5)	455.7	397.6	(16.3)	381.3
<b>Total non-current borrowings</b>	<b>1,540.9</b>	<b>(28.6)</b>	<b>1,512.3</b>	<b>1,495.7</b>	<b>(28.9)</b>	<b>1,466.8</b>
<b>Total Borrowings<sup>(d)</sup></b>	<b>1,598.5</b>	<b>(28.6)</b>	<b>1,569.9</b>	<b>1,548.9</b>	<b>(28.9)</b>	<b>1,520.0</b>
Cash and cash equivalents	(215.6)	–	(215.6)	(331.3)	–	(331.3)
<b>Net Borrowings</b>	<b>1,382.9</b>	<b>(28.6)</b>	<b>1,354.3</b>	<b>1,217.6</b>	<b>(28.9)</b>	<b>1,188.7</b>

- (a) On 15 April 2010, we signed an eight-year facility agreement with the European Investment Bank (the “EIB Facility”). Under the agreement, we were 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 US\$180.0m was made on 30 April 2010 and a final drawdown of US\$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments on both tranches beginning 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 12 November 2009, we issued US\$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 (“Senior Notes due 2017”). The aggregate gross proceeds were US\$645.2m, net of US\$4.8m issuance discount and we capitalised US\$12.5m of issuance costs. On 11 April 2012, we issued a further US\$200.0m aggregate principal amount of our Senior Notes due 2017. The aggregate gross proceeds were US\$212.0m, including US\$12.0m premium on issuance and we capitalised US\$3.8m of issuance costs.
- (c) On 11 May 2011, we signed a 12.5-year US\$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.
- (d) On 30 June 2011, we signed a five-year US\$750.0m revolving credit facility (“Senior Credit Facility”) with a group of commercial banks as lenders. 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 2013, there were no drawings on the Senior Credit Facility.

### 6. Financial instruments fair value disclosures

The Group held the following financial instruments at fair value at 30 June 2013. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

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

(US\$ in millions)	As at 30 June 2013
<b>Recurring fair value measurements:</b>	
<b>Financial assets:</b>	
Forward foreign currency contracts – designated cash flow hedges	0.8
<b>Financial liabilities:</b>	
Forward foreign currency contracts – designated cash flow hedges	(3.1)
Forward foreign currency contracts – undesignated	(0.4)
Interest rate swap – designated cash flow hedge	(4.8)
<b>Total net fair value</b>	<b>(7.5)</b>

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 are 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:

(US\$ in millions)	Carrying value				Fair Value	
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2012	As at 30 June 2013	As at 31 December 2012	As at 30 June 2012
<b>Financial liabilities:</b>						
Senior Notes due 2017	850.0	850.0	850.0	889.9	912.7	911.6

### 7. Acquisition of TC Comms

On 8 May 2013, we acquired the shares of TC Communications Pty Ltd (“TC Comms”) of Australia. The operations of TC Comms have been integrated within our Inmarsat Solutions business and provide a particular focus on supporting our expanding Global Government and Enterprise business units.

TC Comms will be accounted for using the purchase method of accounting in accordance with IFRS 3, ‘Business Combinations’. The Group has not presented a full acquisition note in line with IFRS 3 as the acquisition is not considered to be material.

### 8. Contingent liability

The Group has received an enquiry from Her Majesty’s Revenue and Customs (“HMRC”) into the financing of a finance lease and operating leaseback transaction entered into in 2007 in respect of the Inmarsat-4 satellites. The full tax benefit of the transaction of US\$218.6m was recognised and disclosed in the Group’s financial statements for the year ended 31 December 2008.

The potential current tax liability in relation to the element of the transaction subject to the HMRC enquiry is estimated to be in the region of US\$68m. The Group has sought external advice and management believes that an economic outflow of US\$7.8m is more likely than not; therefore a provision for this amount has been recorded in these financial statements. Management does not believe that an economic outflow of the remaining US\$60m is probable; however this disclosure has been made in light of the ongoing enquiries being

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)**

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**

On 20 March 2013, the UK Government announced a reduction in its main rate of corporation tax from 23% to 21% with effect from 1 April 2014, with a further reduction to 20% taking effect from 1 April 2015. These rate changes were substantively enacted on 2 July 2013.

The deferred tax assets and liabilities in the accounts are calculated at the substantively enacted rate at the balance sheet date of 23%. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would reduce the value of the group's deferred tax liabilities by approximately US\$30.1m and reduce the value of the group's deferred tax assets by approximately US\$1.9m.

Inmarsat has a contract with International Launch Services ("ILS") for the launch of the three Inmarsat-5 satellites using the Proton launch vehicle. On 2 July 2013, a Proton launch vehicle failed shortly after lift-off, resulting in the loss of three Glonass navigation satellites. The cause of the failure will be assessed by a joint process known as the Failure Review Oversight Board and a report of its findings is expected to be completed by mid-August. While it is too early to determine any schedule impact of the failure, there is a risk of a short delay to the launch of the first Inmarsat-5 satellite and, therefore to the start of GX services. However, given that the satellite manufacturing and delivery schedule remains on track, a delay to the first Inmarsat-5 satellite launch will not necessarily mean an equivalent delay to the second and third launches and therefore to the completion of global coverage.

We have separately announced today a strategic partnership with RigNet, Inc. ("RigNet") (NASDAQ: RNET), a leading global provider of managed remote telecommunications solutions to the oil and gas industry, to offer GX services to the energy sector. Under the terms of the agreement, RigNet will become a GX distribution partner and enter into a four-year GX capacity pre-purchase agreement. In connection with the agreement, we will sell our retail energy business (which is part of the Inmarsat Solutions segment) to RigNet for a total cash consideration of US\$25m. The transaction is expected to close in early 2014. For more information see our separate press release dated 1 August 2013.

Subsequent to 30 June 2013, 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.