

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED FINANCIAL RESULTS

**For the three and nine months ended
30 September 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.

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, gain on disposal of assets, acquisition-related adjustments, 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 September 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

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\$1.6 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 September 2013 were US\$306.9m (2012: US\$325.9m), EBITDA was US\$168.7m (2012: US\$162.8m) and operating profit was US\$35.2m (2012: US\$93.4m). 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

Our GX programme remains on track and we currently expect the first satellite to be launched before the end of 2013. Inmarsat-5 F1 is now fully assembled, has successfully completed all system level testing and is expected to be shipped to the launch site very shortly. Inmarsat-5 F2 and F3 have also been fully integrated and Inmarsat-5 F2 is about to begin system level thermal vacuum testing. The delivery schedule for the Inmarsat-5 F2 and F3 satellites continues to provide for a launch programme that will complete global coverage by the end of 2014.

On 7 October 2013, we announced we had triggered an option to purchase a fourth Inmarsat-5 satellite under our existing contract with Boeing. The fourth Inmarsat-5 satellite has a delivery schedule of mid-2016 and will provide an early available spare in the event of a launch failure of any of the first three Inmarsat-5 satellites. In the event the satellite is not required as a launch spare, we are developing an incremental business case to support the launch of the fourth satellite to increase capacity and strategically enhance network coverage. The total cost of the option and certain related expenditure (excluding launch costs) is expected to be between US\$220m and US\$250m.

The ground network for GX services is 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 work for the Inmarsat-5 F3 ground stations has started in the two New Zealand sites, Auckland and Warkworth.

In the government field, on 21 October 2013, we announced that L-3 Global Communications Solutions have received type approval from Inmarsat for its range of military Ka-band terminals, authorising their use over the GX network and, on 5 November 2013, we announced the appointment of Network Innovations Inc., a specialised managed satellite services provider, as a Value Added Reseller for GX, serving Government markets in Canada, Europe, the Middle East and Africa.

In the commercial aviation sector, on 22 October 2013, we announced that Satcom 1 and Aircell (Gogo's business aviation subsidiary) have signed formal agreements with Honeywell, our designated business aviation reseller, and have been appointed as distribution partners to deliver GX Aviation.

Launch of Alphasat

Following the successful launch of our Alphasat satellite, we announced on 6 August 2013 that Alphasat had successfully reached its temporary test location in geostationary orbit. The Alphasat platform and payload in-orbit testing was completed at the end of September and the satellite was subsequently relocated from its test orbital location and arrived at its final 25E operational location on 8 October 2013. Further service testing and calibrations will be undertaken at this location, prior to the start of commercial services, expected during the fourth quarter.

Alphasat enhances our Inmarsat-4 network and when deployed will provide 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 satellites, which are 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.

Strategic partnership with RigNet

On 1 August 2013, we announced a strategic partnership with RigNet, Inc. ("RigNet"), a global provider of managed remote telecommunications solutions to the oil and gas industry, to offer GX and L-band 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 have agreed to sell our retail energy business to RigNet for a total cash consideration of US\$25m. The transaction is subject to customary closing conditions and is expected to close in early 2014.

The assets and liabilities being transferred to RigNet as part of the transaction are presented as assets held for sale and liabilities directly associated with assets held for sale on the face of the balance sheet. It is estimated that the retail energy business being disposed of contributed US\$63.5m of revenue and US\$3.3m of EBITDA to the Group during the nine months ended 30 September 2013.

Inmarsat Global Services

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 6 August 2013, we announced we had entered into a strategic collaboration agreement with Pearson to improve access to education and learning in rural and

isolated communities around the world. Through this collaboration Pearson will use our BGAN services to enable access to their Education Technology Platforms in areas that currently have little or no communications infrastructure.

- On 20 August 2013, we announced a new collaboration with Cisco to provide the satellite connectivity needed to make Cisco's mobile telemedicine system available in the world's most remote and underserved communities.
- On 10 September 2013, we announced that a number of government customers have successfully trialled or are currently evaluating our recently launched L-TAC service for military communications-on-the-move. We also announced that two military customers have already acquired the L-TAC solution. Launched in July 2013, L-TAC uses our global L-band satellites to extend the reach of UHF radios used by the world's militaries.
- On 11 September 2013, we announced the appointment of Stream Communications as a distribution partner for Machine-to-Machine ("M2M") services.
- On 22 October 2013, we announced the launch of SwiftBroadband High Data Rate. The new service, which is expected to be commercially available in Q4 2013, will offer enhanced streaming IP data rates for SwiftBroadband.
- On 5 November 2013, we announced a strategic collaboration with Orbcomm Inc., a leading provider of satellite M2M solutions. The collaboration involves joint product development and distribution plans to address growth opportunities in the M2M market.

Inmarsat Solutions Services

On 4 November 2013, we announced that Intellian's FleetBroadband terminals are now approved for use with our XpressLink service.

LightSquared Cooperation Agreement

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 September 2013, we had deferred income in relation to the Cooperation Agreement of US\$255.0m recorded on our balance sheet. During the three months ended 30 September 2013 we recognised revenue of US\$4.8m and EBITDA of US\$4.7m in relation to the Cooperation Agreement (three months ended 30 September 2012: revenue of US\$4.0m and EBITDA of US\$2.0m).

Departure of Chief Financial Officer

On 27 September 2013, we announced that Rick Medlock, Chief Financial Officer, had decided to leave the Company to join Misys, a private equity backed business. As a result, the Inmarsat plc Board has begun a process to appoint a successor to Mr Medlock and a further announcement will be made in due course.

Dividends

On 3 October 2013, the Board declared and recorded an interim dividend for the 2013 financial year of US\$35.0m to Inmarsat Holdings Limited. This dividend has not been recognised as a liability as at 30 September 2013. Inmarsat plc paid an interim dividend of 17.79 cents (US dollars) per ordinary share (totalling US\$79.6m) to its shareholders on 25 October 2013.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat Group Limited for the three and nine months ended 30 September 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 September			Nine months ended 30 September		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Revenue	306.9	325.9	(5.8%)	947.2	1,010.1	(6.2%)
Employee benefit costs	(59.0)	(57.6)	2.4%	(177.4)	(165.9)	6.9%
Network and satellite operations costs	(65.2)	(71.8)	(9.2%)	(211.5)	(213.0)	(0.7%)
Other operating costs	(22.5)	(39.3)	(42.7%)	(82.7)	(104.4)	(20.8%)
Own work capitalised	8.5	5.6	51.8%	22.2	17.3	28.3%
Total net operating costs	(138.2)	(163.1)	(15.3%)	(449.4)	(466.0)	(3.6%)
EBITDA	168.7	162.8	3.6%	497.8	544.1	(8.5%)
<i>EBITDA excluding LightSquared</i>	<i>164.0</i>	<i>160.8</i>	<i>2.0%</i>	<i>491.1</i>	<i>492.8</i>	<i>(0.3%)</i>
Depreciation and amortisation	(60.2)	(70.3)	(14.4%)	(168.5)	(192.8)	(12.6%)
Gain on disposal of assets	–	0.1	–	–	–	–
Acquisition-related adjustments	3.0	–	–	3.0	–	–
Impairment losses	(77.0)	–	–	(86.4)	–	–
Share of profit of associates	0.7	0.8	(12.5%)	2.1	1.4	50.0%
Operating profit	35.2	93.4	(62.3%)	248.0	352.7	(29.7%)
Interest receivable and similar income	1.0	0.9	11.1%	3.2	1.7	88.2%
Interest payable and similar charges	(5.9)	(13.7)	(56.9%)	(21.8)	(36.9)	(40.9%)
Net interest payable	(4.9)	(12.8)	(61.7%)	(18.6)	(35.2)	(47.2%)
Profit before income tax	30.3	80.6	(62.4%)	229.4	317.5	(27.7%)
Income tax expense	(15.1)	(15.3)	(1.3%)	(78.5)	(71.1)	10.4%
Profit for the period	15.2	65.3	(76.7%)	150.9	246.4	(38.8%)

Revenues

Total Group revenues for the three months ended 30 September 2013 decreased by 5.8%, compared with the three months ended 30 September 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 September			Nine months ended 30 September		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Inmarsat Global:						
Wholesale MSS	187.6	186.7	0.5%	568.1	553.6	2.6%
LightSquared	4.8	4.0	20.0%	9.9	58.6	(83.1%)
Other	5.9	7.7	(23.4%)	24.2	27.4	(11.7%)
Total Inmarsat Global segment	198.3	198.4	(0.1%)	602.2	639.6	(5.8%)
Inmarsat Solutions	188.3	205.9	(8.5%)	572.9	602.1	(4.8%)
	386.6	404.3	(4.4%)	1,175.1	1,241.7	(5.4%)
Intercompany eliminations and adjustments	(79.7)	(78.4)		(227.9)	(231.6)	
Total revenue	306.9	325.9	(5.8%)	947.2	1,010.1	(6.2%)

Net operating costs

Total Group net operating costs for the three months ended 30 September 2013 decreased by 15.3%, compared with the three months ended 30 September 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 30 September			Nine months ended 30 September		
	2013	2012	Decrease	2013	2012	Decrease
Inmarsat Global	52.0	61.1	(14.9%)	166.6	174.3	(4.4%)
Inmarsat Solutions	166.2	181.4	(8.4%)	510.6	524.2	(2.6%)
	218.2	242.5	(10.0%)	677.2	698.5	(3.0%)
Intercompany eliminations and adjustments	(80.0)	(79.4)		(227.8)	(232.5)	
Total net operating costs	138.2	163.1	(15.3%)	449.4	466.0	(3.6%)

EBITDA

Group EBITDA for the three months ended 30 September 2013 increased by 3.6%, compared with the three months ended 30 September 2012. As a consequence, EBITDA margin has increased to 55.0% for the three months ended 30 September 2013, compared with 50.0% for the three months ended 30 September 2012. Below is a reconciliation of profit for the period to EBITDA for each of the periods indicated:

(US\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Profit for the period	15.2	65.3	(76.7%)	150.9	246.4	(38.8%)
Add back:						
Income tax expense	15.1	15.3	(1.3%)	78.5	71.1	10.4%
Net interest payable	4.9	12.8	(61.7%)	18.6	35.2	(47.2%)
Depreciation and amortisation	60.2	70.3	(14.4%)	168.5	192.8	(12.6%)
Gain on disposal of fixed assets	–	(0.1)	–	–	–	–
Acquisition-related adjustments	(3.0)	–	–	(3.0)	–	–
Impairment losses	77.0	–	–	86.4	–	–
Share of profit of associates	(0.7)	(0.8)	(12.5%)	(2.1)	(1.4)	50.0%
EBITDA	168.7	162.8	3.6%	497.8	544.1	(8.5%)
EBITDA margin %	55.0%	50.0%		52.6%	53.9%	

Depreciation and amortisation

The decrease in depreciation and amortisation of US\$10.1m for the three months ended 30 September 2013 is due to an impairment recognised in the three months ended 30 September 2012 through accelerated depreciation of previously capitalised S-band assets. In addition, depreciation and amortisation decreased in the three months ended 30 September 2013, compared with the three months ended 30 September 2012, as, following the 1 August 2013 announcement of the disposal of the retail energy assets to RigNet, depreciation ceased on the assets as they were transferred to assets held for sale on the balance sheet.

Acquisition-related adjustments

During the three months ended 30 September 2013, we recognised a US\$3.0m acquisition-related adjustment (three months ended 30 September 2012: US\$nil). The adjustment relates to a historic tax issue which was settled during the quarter. A portion of the receivable had previously been written-off as a fair value adjustment in relation to the acquisition in December 2003 of Inmarsat Ventures Limited by Inmarsat Group Holdings Limited (subsequently renamed Inmarsat plc). The write-back of this element is therefore an acquisition-related adjustment.

Impairment losses

During the three months ended 30 September 2013 impairment losses of US\$77.0m were recognised (three months ended 30 September 2012: US\$nil). US\$52.0m of the impairment losses relate to the impairment of goodwill and other intangible assets in our Inmarsat Government, formerly Segovia, cash-generating unit, where we are continuing to see pressure as a result of on-going spending controls being implemented by the US Government

and by a related increase in competition. Accordingly, we have experienced a significant reduction in revenue and margins and continue to expect a reduction in contracting opportunities as further programmes are cancelled, de-scoped or delayed. The remaining US\$25.0m of the impairment losses relate to an adjustment to the carrying value of the retail energy assets being disposed of in the RigNet transaction to write them down to their fair value less costs to sell, given that they are now classified as held for sale assets.

Operating profit

As a result of the factors discussed above, operating profit during the three months ended 30 September 2013 was US\$35.2m, a decrease of US\$58.2m, or 62%, compared with the three months ended 30 September 2012.

Interest

Net interest payable for the three months ended 30 September 2013 was US\$4.9m, a decrease of US\$7.9m, or 62%, compared with the three months ended 30 September 2012.

Interest payable for the three months ended 30 September 2013 was US\$5.9m, a decrease of US\$7.8m, or 57%, compared with the three months ended 30 September 2012. The decrease is predominantly due to US\$22.0m of interest that was capitalised in the three months ended 30 September 2013 that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US\$15.0m capitalised in the three months ended 30 September 2012.

Profit before tax

As a result of the factors discussed above, profit before tax for the three months ended 30 September 2013 was US\$30.3m, a decrease of US\$50.3m, or 62%, compared with the three months ended 30 September 2012.

Income tax expense

The tax charge for the three months ended 30 September 2013 was US\$15.1m, a decrease of US\$0.2m, or 1.3%, compared with the three months ended 30 September 2012. The movement in the tax charge was largely driven by a US\$45.1m increase in the provision for the potential tax liability in relation to the financing of a leasing transaction in respect of the Inmarsat-4 satellites; in light of developments in the period, management now believe that an increased amount of the potential exposure in respect of this transaction should be provided for. Additionally, there was an increase in the tax charge driven by an increase in profit before tax (excluding impairment losses). The impact of these items was partially offset by a one-off credit of US\$21.2m on the revaluation of the UK deferred tax liabilities. This arose following the July 2013 substantive enactment of the UK corporation tax rate reduction from 23% to 20%, which will become effective in 2014 and 2015. For the three months ended 30 September 2012, there was a one-off tax credit of US\$3.3m in respect of the revaluation of UK deferred tax liabilities from 24% to 23%.

In addition, in the three months ended 30 September 2013, we recorded a US\$25.0m tax credit relating to the US\$77.0m of impairment losses recognised in the period. For the three months ended 30 September 2013, there was also a US\$2.5m credit in respect of prior year adjustments (three months ended 30 September 2012: US\$0.1m charge) and a benefit of US\$6.2m (three months ended 30 September 2012: US\$1.2m) was recognised in respect of the utilisation of previously unrecognised current year non-UK losses.

The effective tax rate for the three months ended 30 September 2013 was 49.8%, compared to 19.0% for the three months ended 30 September 2012. If the effects of the above adjustments are removed, the effective tax rate for the three months ended 30 September 2013 was 23.2% compared with 24.4% for the three months ended 30 September 2012. The decrease in the adjusted effective tax rate is due to the reduction in the rate at which deferred tax balances are recognised to 20%, and 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 September 2013 tax charge is based, to 23.25%. For the three months ended 30 September 2012 the rate upon which the tax charge was based was 24.5%.

Profit for the period

As a result of the factors discussed above, profit for the three months ended 30 September 2013 was US\$15.2m, a decrease of US\$50.1m, or 77%, compared with the three months ended 30 September 2012.

Inmarsat Global Results

Revenues

During the three months ended 30 September 2013, revenues from Inmarsat Global were US\$198.3m, a decrease of US\$0.1m, or 0.1%, compared with the three months ended 30 September 2012. MSS revenues increased by US\$0.9m, or 0.5%, 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. 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 period-on-period in revenues from older services such as Inmarsat B, Mini M, Fleet, GAN and Swift 64, as users continue to migrate to newer services. The results also reflect the expected termination of certain lease business.

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

(US\$ in millions)	Three months ended			Nine months ended		
	30 September 2013	2012	Increase/ (decrease)	30 September 2013	2012	Increase/ (decrease)
Revenues						
Maritime sector:						
Voice services	17.5	19.6	(10.7%)	54.2	61.0	(11.1%)
Data services	90.1	85.4	5.5%	268.7	244.9	9.7%
Total maritime sector	107.6	105.0	2.5%	322.9	305.9	5.6%
Land mobile sector:						
Voice services	5.6	3.7	51.4%	15.1	9.2	64.1%
Data services	24.6	30.6	(19.6%)	81.0	91.3	(11.3%)
Total land mobile sector	30.2	34.3	(12.0%)	96.1	100.5	(4.4%)
Aviation sector	27.4	24.3	12.8%	83.3	73.7	13.0%
Leasing	22.4	23.1	(3.0%)	65.8	73.5	(10.5%)
Total MSS revenue	187.6	186.7	0.5%	568.1	553.6	2.6%
Other income (including LightSquared)	10.7	11.7	(8.5%)	34.1	86.0	(60.3%)
Total revenue	198.3	198.4	(0.1%)	602.2	639.6	(5.8%)

Total active terminal numbers as at 30 September 2013 increased by 7.8%, compared with 30 September 2012. The table below sets out the active terminals by sector for each of the periods indicated:

(000's)	As at 30 September		
	2013	2012	Increase
Active terminals ^(a)			
Maritime	189.5	188.0	0.8%
Land mobile	172.4	148.0	16.5%
Aviation	16.6	15.0	10.7%
Total active terminals	378.5	351.0	7.8%

(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 September. Active terminals also include the average number of certain handheld terminals active on a daily basis during the final month of the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M, IsatData Pro and BGAN M2M) used to access our M2M services. At 30 September 2013, we had 248,359 (2012: 222,822) M2M terminals.

The growth of active terminals in the maritime sector is primarily due to the take-up of our FleetBroadband service, where we have seen active terminal numbers grow by 23% 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 40%, period-over-period.

Maritime Sector. During the three months ended 30 September 2013, revenues from the maritime sector were US\$107.6m, an increase of US\$2.6m, or 2.5%, compared with the three months ended 30 September 2012.

Revenues from data services in the maritime sector during the three months ended 30 September 2013 were US\$90.1m, an increase of US\$4.7m, or 5.5%, compared with the three months ended 30 September 2012. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in March 2013 and by increased take-up and usage of our FleetBroadband service. During the three months ended 30 September 2013, we added 1,702 FleetBroadband subscribers, taking total active terminals to 39,654. 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. We continue to believe that the current economic environment for the shipping industry is impacting revenues in the maritime sector.

In addition, the take-up of XpressLink by ships currently using our existing L-band maritime services is expected to impact the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis will largely migrate to our Inmarsat Solutions segment, until Global Xpress services begin. While this impact has so far been limited due to the early stage of the XpressLink service, customer interest is gaining traction and the impact may be more pronounced in future reporting periods.

Revenues from voice services in the maritime sector during the three months ended 30 September 2013 were US\$17.5m, a decrease of US\$2.1m, or 10.7%, compared with the three months ended 30 September 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 September 2013, revenues from the land mobile sector were US\$30.2m, a decrease of US\$4.1m, or 12.0%, compared with the three months ended 30 September 2012.

Revenues from data services in the land mobile sector during the three months ended 30 September 2013 were US\$24.6m, a decrease of US\$6.0m, or 20%, compared with the three months ended 30 September 2012. The decline in revenues is partially due to troop withdrawals from Afghanistan. We estimate that global events including Afghanistan in the three months ended 30 September 2012 contributed US\$1.6m more revenue period-over-period, compared with the three months ended 30 September 2013. In addition, other BGAN revenues decreased as a result of reduced breakage recognised on allowance plans in the three months ended 30 September 2013, compared to the three months ended 30 September 2012 and as a result of reduced usage by certain customers, notably in the Russian Federation. In addition, we experienced declining revenues from our older GAN service. Therefore, although we continue to see growth in BGAN usage from new subscribers, this growth is unable to fully offset the decline in revenues in the land mobile sector.

Revenues from voice services in the land mobile sector during the three months ended 30 September 2013 were US\$5.6m, an increase of US\$1.9m, or 51%, compared with the three months ended 30 September 2012. The increase is due to growth in revenues from our IsatPhone Pro service. We ended the quarter with approximately 92,000 active subscribers,

compared with approximately 71,000 at 30 September 2012. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth.

Aviation Sector. During the three months ended 30 September 2013, revenues from the aviation sector were US\$27.4m, an increase of US\$3.1m, or 12.8%, compared with the three months ended 30 September 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 September 2013, revenues from leasing were US\$22.4m, a decrease of US\$0.7m, or 3.0%, compared with the three months ended 30 September 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 September 2013 was US\$10.7m, a decrease of US\$1.0m, or 8.5%, compared with the three months ended 30 September 2012. The decrease was primarily due to lower equipment sales, partially offset by increased revenue in connection with our Cooperation Agreement with LightSquared. During the three months ended 30 September 2013, we recorded US\$3.1m of revenue relating to the sale of terminals and accessories (predominantly in relation to IsatPhone Pro), compared with US\$5.1m in the same period in 2012.

Net operating costs

Net operating costs for the three months ended 30 September 2013 decreased by 14.9%, compared with the three months ended 30 September 2012. Included within net operating costs for the three months ended 30 September 2013 are net costs in relation to our Global Xpress programme totalling US\$5.1m (three months ended 30 September 2012: US\$3.8m) and costs in relation to our Cooperation Agreement with LightSquared of US\$0.1m (three months ended 30 September 2012: US\$2.0m).

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			Nine months ended		
	30 September 2013	2012	Increase/ (decrease)	30 September 2013	2012	Increase/ (decrease)
Employee benefit costs	31.1	26.1	19.2%	89.7	75.8	18.3%
Network and satellite operations costs	9.4	9.5	(1.1%)	28.5	30.1	(5.3%)
Other operating costs	18.1	30.2	(40.1%)	65.6	82.2	(20.2%)
Own work capitalised	(6.6)	(4.7)	40.4%	(17.2)	(13.8)	24.6%
Net operating costs	52.0	61.1	(14.9%)	166.6	174.3	(4.4%)

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is the US Dollar. Approximately 50% of Inmarsat Global's costs are denominated in Pounds Sterling. Net operating costs in the three months ended 30 September 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 September 2013 resulted in an increase in comparative costs of approximately US\$1.7m.

Employee benefit costs. Employee benefit costs increased by US\$5.0m, or 19.2%, for the three months ended 30 September 2013, compared with the three months ended 30 September 2012. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (617 at 30 September 2013 compared with 576 at 30 September 2012), primarily to support our Global Xpress programme and as a result of investment in our business units. In addition, there was an unfavourable movement in the Group's hedged rate of exchange.

Other operating costs. Other operating costs for the three months ended 30 September 2013 decreased by US\$12.1m, or 40%, compared to the three months ended 30 September 2012. The decrease is due to a US\$6.0m provision made for certain doubtful trade receivables in the three months ended 30 September 2012, for which no further provision was made in the three months ended 30 September 2013. In addition, professional fees decreased in the three months ended 30 September 2013, compared with the three months ended 30 September 2012, due to reduced professional fees incurred in relation to our Cooperation Agreement with LightSquared. In the three months ended 30 September 2013, we recorded a foreign exchange translation gain of US\$0.2m, compared with a foreign exchange translation loss of US\$2.0m recorded in the three months ended 30 September 2012.

Own work capitalised. Own work capitalised for the three months ended 30 September 2013 increased by US\$1.9m, or 40%, compared with the three months ended 30 September 2012, due to an increase in work capitalised in relation to our Global Xpress and Alphasat programmes.

Operating profit

(US\$ in millions)	Three months ended			Nine months ended		
	30 September 2013	2012	Increase/ (decrease)	30 September 2013	2012	Increase/ (decrease)
Total revenue	198.3	198.4	(0.1%)	602.2	639.6	(5.8%)
Net operating costs	(52.0)	(61.1)	(14.9%)	(166.6)	(174.3)	(4.4%)
EBITDA	146.3	137.3	6.6%	435.6	465.3	(6.4%)
EBITDA margin %	73.8%	69.2%		72.3%	72.7%	
EBITDA excluding LightSquared and Global Xpress	146.7	139.1	5.5%	443.8	424.7	4.5%
EBITDA margin % excluding LightSquared and Global Xpress	75.8%	71.6%		74.9%	73.1%	
Depreciation and amortisation	(39.2)	(45.2)	(13.3%)	(115.0)	(121.4)	(5.3%)
Acquisition-related adjustments	3.0	–	–	3.0	–	–
Operating profit	110.1	92.1	19.5%	323.6	343.9	(5.9%)

As a result of the factors discussed above, Inmarsat Global's operating profit increased by US\$18.0m, or 19.5%, in the three months ended 30 September 2013, compared with the three months ended 30 September 2012.

Inmarsat Solutions Results

Revenues

During the three months ended 30 September 2013, revenues from Inmarsat Solutions decreased by US\$17.6m, or 8.5%, compared with the three months ended 30 September 2012. We are continuing to see pressure on our US Government business unit as a result of on-going spending controls being implemented by the US Government and by a related increase in competition. Accordingly, we have experienced a significant reduction in revenue and margins and continue to expect a reduction in contracting opportunities as further 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			Nine months ended		
	30 September 2013	2012	Decrease	30 September 2013	2012	Decrease
Inmarsat MSS	94.2	104.1	(9.5%)	287.2	302.6	(5.1%)
Broadband and Other MSS	94.1	101.8	(7.6%)	285.7	299.5	(4.6%)
Total revenue	188.3	205.9	(8.5%)	572.9	602.1	(4.8%)

Inmarsat MSS. Revenues derived from Inmarsat MSS for the three months ended 30 September 2013 decreased by US\$9.9m, or 9.5%, compared with the three months ended 30 September 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. 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. In addition, in the three months ended 30 September 2013, Inmarsat Solutions aviation revenue decreased compared with the three months ended 30 September 2012, due to a reduction in US Government Swift 64 revenues.

For the three months ended 30 September 2013, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 39%, compared with the 40% share for the three months ended 30 September 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. The mix of revenues in our broadband and other MSS sector will change following the disposal of certain retail energy assets as part of the RigNet transaction.

Revenues from Broadband and Other MSS during the three months ended 30 September 2013 decreased by US\$7.7m, or 7.6%, compared with the three months ended 30 September 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 and lower sales of mobile terminals and equipment across all business units. There were also decreases in VSAT and engineering services revenue in the energy market. These decreases were partially offset by increased Commercial Maritime business unit revenues as a result of growth in the number of ships served with XpressLink.

Net operating costs

Net operating costs in the three months ended 30 September 2013 decreased by US\$15.2m, or 8.4%, compared with the three months ended 30 September 2012, primarily as a result of decreased costs of goods and services as a result of the decrease in revenues, especially lower sales of mobile terminals and equipment, and a decrease in operating costs primarily in our US Government business as a result of a workforce reduction implemented in the prior quarter to help offset the 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 30 September			Nine months ended 30 September		
	2013	2012	Increase/ (decrease)	2013	2012	Increase/ (decrease)
Cost of goods and services ^(a)	125.6	136.3	(7.9%)	383.0	389.9	(1.8%)
Operating costs ^(a)	40.6	45.1	(10.0%)	127.6	134.3	(5.0%)
Total operating costs	166.2	181.4	(8.4%)	510.6	524.2	(2.6%)
Allocated as follows:						
Employee benefit costs	27.9	31.5	(11.4%)	87.7	90.1	(2.7%)
Network and satellite operations costs ^(b)	132.3	140.3	(5.7%)	402.8	409.2	(1.6%)
Other operating costs	7.5	10.5	(28.6%)	24.0	28.4	(15.5%)
Own work capitalised	(1.5)	(0.9)	66.7%	(3.9)	(3.5)	11.4%
Net operating costs	166.2	181.4	(8.4%)	510.6	524.2	(2.6%)

- (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 September 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 September 2013 decreased by US\$10.7m, or 7.9%, compared with the three months ended 30 September 2012. The decrease is predominantly due to the decrease in revenues, especially lower Inmarsat MSS revenue and lower sales of mobile terminals and equipment, partially offset by increased costs in our Commercial Maritime business unit related to the increased VSAT maritime communications revenue.

Operating costs. Operating costs during the three months ended 30 September 2013 decreased by US\$4.5m, or 10.0%, compared with the three months ended 30 September 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 (loss)/profit

(US\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2013	2012	Decrease	2013	2012	Increase/ (decrease)
Total revenue	188.3	205.9	(8.5%)	572.9	602.1	(4.8%)
Cost of goods and services	(125.6)	(136.3)	(7.9%)	(383.0)	(389.9)	(1.8%)
Gross margin	62.7	69.6	(9.9%)	189.9	212.2	(10.5%)
Gross margin %	33.3%	33.8%		33.1%	35.2%	
Operating costs	(40.6)	(45.1)	(10.0%)	(127.6)	(134.3)	(5.0%)
EBITDA	22.1	24.5	(9.8%)	62.3	77.9	(20.0%)
EBITDA margin %	11.7%	11.9%		10.9%	12.9%	
Depreciation and amortisation	(21.0)	(25.1)	(16.3%)	(53.5)	(71.4)	(25.1%)
Gain on disposal of assets	–	0.1	–	–	–	–
Impairment losses	(77.0)	–	–	(86.4)	–	–
Share of profit of associates	0.7	0.8	(12.5%)	2.1	1.4	50.0%
Operating (loss)/profit	(75.2)	0.3	–	(75.5)	7.9	–

Operating loss during the three months ended 30 September 2013 was US\$75.2m, compared to an operating profit of US\$0.3m during the three months ended 30 September 2012. The decrease in operating profit was due primarily to the recognition of US\$77.0m of impairment losses in the three months ended 30 September 2013 (three months ended 30 September 2012: US\$nil). US\$52.0m of the impairment losses relate to the impairment of goodwill and other intangible assets in our Inmarsat Government, formerly Segovia, cash-generating unit, where we are continuing to see pressure as a result of on-going spending controls being implemented by the US Government and by a related increase in competition. The remaining US\$25.0m of the impairment losses relate to an adjustment to the carrying value of the retail energy assets being disposed of in the RigNet transaction to write them down to their fair value less costs to sell, given that they are now classified as held for sale assets. In addition, there has been a decrease in EBITDA, partially offset by a decrease in depreciation and amortisation. The EBITDA reduction was due primarily to the decrease in revenue and related gross margin. Depreciation and amortisation decreased following the retail energy assets that are being sold to RigNet being transferred to assets held for sale on the balance sheet on 1 August 2013, at which point depreciation ceased.

Gross margin consists of revenues less direct cost of goods and services. Gross margin and gross margin percentage for the three months ended 30 September 2013 have decreased by US\$6.9m and 0.5%, respectively, compared with the three months ended 30 September 2012. These decreases are primarily a result of a reduction in revenue and reduced gross margin percentage in our US Government business unit as a result of customer renewals at lower prices and the newer revenues being at lower margins.

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			Nine months ended		
	30 September 2013	2012	Increase/ (decrease)	30 September 2013	2012	Increase/ (decrease)
Commercial Maritime	132.4	128.1	3.4%	391.9	375.2	4.5%
US Government	65.2	84.7	(23.0%)	222.5	261.9	(15.0%)
Global Government	29.0	29.9	(3.0%)	90.4	89.4	1.1%
Enterprise	71.2	72.8	(2.2%)	217.1	206.6	5.1%
Total business unit revenue	297.8	315.5	(5.6%)	921.9	933.1	(1.2%)
Other income (including LightSquared)	9.1	10.4	(12.5%)	25.3	77.0	(67.1%)
Total revenue	306.9	325.9	(5.8%)	947.2	1,010.1	(6.2%)

Commercial Maritime. Commercial Maritime revenues for the three months ended 30 September 2013 increased by US\$4.3m, or 3.4%, compared with the three months ended 30 September 2012. The increase is due to growth in our FleetBroadband service and price initiatives implemented in March and July 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 sales of mobile terminals and equipment.

US Government. US Government revenues for the three months ended 30 September 2013 decreased by US\$19.5m, or 23%, compared with the three months ended 30 September 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. As previously mentioned, we are continuing to see pressure on our US Government business unit as a result of on-going spending controls being implemented by the US Government and by a related increase in competition. Accordingly, we have experienced a significant reduction in revenue and margins and continue to expect a reduction in contracting opportunities as further programmes are cancelled, de-scoped or delayed.

Global Government. Global Government revenues for the three months ended 30 September 2013 decreased by US\$0.9m, or 3.0%, compared with the three months ended 30 September 2012. The decrease is primarily due to decreased sales of mobile terminals and equipment and decreases in leasing and GAN revenues, partially offset by the inclusion of revenue from TC Communications for the three months ended 30 September 2013.

Enterprise. Enterprise revenues for the three months ended 30 September 2013 decreased by US\$1.6m, or 2.2%, compared with the three months ended 30 September 2012. This was driven by decreased sales of mobile terminals and equipment and decreased VSAT and engineering revenue in the energy market, partially offset by increased aviation revenues as a result of growth in both the business jet and commercial air transport business and increased GSPS airtime revenues as a result of growth in the number of IsatPhone Pro terminals activated.

Group Liquidity and Capital Resources

At 30 September 2013, the Group had cash and cash equivalents of US\$292.5m and available but undrawn borrowing facilities of US\$949.6m 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 September 2013	As at 31 December 2012
EIB Facility	238.6	264.3
Ex-Im Bank Facility	500.4	397.6
Senior Notes due 2017	850.0	850.0
– Net issuance premium	6.4	7.5
Deferred satellite payments	31.7	28.7
Bank overdrafts	0.9	0.8
Total borrowings	1,628.0	1,548.9
Cash and cash equivalents	(292.5)	(331.3)
Net borrowings (gross of deferred finance costs)	1,335.5	1,217.6

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

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Net cash from operating activities	195.3	135.3	475.2	497.4
Net cash used in investing activities, excluding capital expenditure	(0.6)	–	(3.2)	(13.1)
Capital expenditure, including own work capitalised	(128.0)	(70.6)	(399.5)	(316.9)
Dividends paid	–	–	(122.8)	(150.0)
Net cash from financing activities, excluding dividends paid	13.6	8.1	11.5	261.0
Foreign exchange adjustment	0.2	(0.2)	(0.1)	0.3
Net increase/(decrease) in cash and cash equivalents, including bank overdrafts	80.5	72.6	(38.9)	278.7

The increase in net cash generated from operating activities in the three months ended 30 September 2013, compared with the three months ended 30 September 2012, of US\$60.0m relates to movements in working capital, including the settlement of an outstanding tax item of US\$11.1m and reduced cash tax paid.

Capital expenditure, including own work capitalised, increased by US\$57.4m in the three months ended 30 September 2013, compared with the three months ended 30 September 2012, primarily due to expenditure on our Global Xpress and Alphasat programmes.

Net cash generated from financing activities, excluding the payment of dividends, was US\$13.6m in the three months ended 30 September 2013, compared to US\$8.1m in the three months ended 30 September 2012. During the three months ended 30 September 2013, we drew down US\$27.2m of our Ex-Im Bank Facility, paid cash interest of US\$12.7m and paid fees in relation to debt drawdowns of US\$0.9m. During the three months ended 30 September 2012, we drew down US\$22.0m of our Ex-Im Bank Facility, paid cash interest of US\$10.9m, paid fees in relation to debt drawdowns of US\$0.8m and paid US\$1.9m of intercompany funding.

Group Free Cash Flow

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Cash generated from operations	196.3	157.9	490.1	560.0
Capital expenditure, including own work capitalised	(128.0)	(70.6)	(399.5)	(316.9)
Net cash interest paid	(12.6)	(10.6)	(58.9)	(55.1)
Cash tax paid	(1.1)	(22.9)	(15.7)	(64.1)
Free cash flow	54.6	53.8	16.0	123.9

In the three months ended 30 September 2013, free cash flow increased by US\$0.8m, or 1.5%, compared with the three months ended 30 September 2012. The increase is due to an increase in cash generated from operations and a reduction in cash tax paid, largely offset by an increase in capital expenditure, including own work capitalised.

Recent Events

Subsequent to 30 September 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 September		Nine months ended 30 September	
	2013	2012	2013	2012
Revenues	306.9	325.9	947.2	1,010.1
Employee benefit costs	(59.0)	(57.6)	(177.4)	(165.9)
Network and satellite operations costs	(65.2)	(71.8)	(211.5)	(213.0)
Other operating costs	(22.5)	(39.3)	(82.7)	(104.4)
Own work capitalised	8.5	5.6	22.2	17.3
Total net operating costs	(138.2)	(163.1)	(449.4)	(466.0)
EBITDA	168.7	162.8	497.8	544.1
Depreciation and amortisation	(60.2)	(70.3)	(168.5)	(192.8)
Gain on disposal of assets	–	0.1	–	–
Acquisition-related adjustments	3.0	–	3.0	–
Impairment losses	(77.0)	–	(86.4)	–
Share of profit of associates	0.7	0.8	2.1	1.4
Operating profit	35.2	93.4	248.0	352.7
Interest receivable and similar income	1.0	0.9	3.2	1.7
Interest payable and similar charges	(5.9)	(13.7)	(21.8)	(36.9)
Net interest payable	(4.9)	(12.8)	(18.6)	(35.2)
Profit before income tax	30.3	80.6	229.4	317.5
Income tax expense	(15.1)	(15.3)	(78.5)	(71.1)
Profit for the period	15.2	65.3	150.9	246.4
Attributable to:				
Equity holders	15.0	65.2	150.5	246.2
Non-controlling interest	0.2	0.1	0.4	0.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Profit for the period	15.2	65.3	150.9	246.4
Other comprehensive income				
Amounts subsequently reclassified to the Income Statement:				
Foreign exchange translation differences	0.1	–	(0.1)	–
Net gains on cash flow hedges	13.7	5.7	12.7	6.3
Tax charged directly to equity	(2.7)	(0.8)	(2.6)	(2.2)
Amounts not subsequently reclassified to the Income Statement:				
Actuarial gains from pension and post-employment benefits	–	–	4.3	8.0
Tax credited/(charged) directly to equity	0.1	–	(0.9)	(1.9)
Other comprehensive income for the period, net of tax	11.2	4.9	13.4	10.2
Total comprehensive income for the period, net of tax	26.4	70.2	164.3	256.6
Attributable to:				
Equity holders	26.2	70.1	163.9	256.4
Non-controlling interest	0.2	0.1	0.4	0.2

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(US\$ in millions)	As at 30 September 2013 (unaudited)	As at 31 December 2012 (audited)
Assets		
Non-current assets		
Property, plant and equipment	2,369.5	2,081.6
Intangible assets	878.9	970.5
Investments	32.7	31.6
Other receivables	19.0	15.4
Derivative financial instruments	4.1	–
	3,304.2	3,099.1
Current assets		
Cash and cash equivalents	292.5	331.3
Trade and other receivables	253.5	293.6
Inventories	26.7	25.4
Derivative financial instruments	6.6	6.4
Assets held for sale	39.1	–
	618.4	656.7
Total assets	3,922.6	3,755.8
Liabilities		
Current liabilities		
Borrowings	56.2	53.2
Trade and other payables	641.8	664.6
Provisions	1.3	5.5
Current income tax liabilities	101.6	39.2
Derivative financial instruments	2.6	11.4
Liabilities directly associated with assets held for sale	14.1	–
	817.6	773.9
Non-current liabilities		
Borrowings	1,543.7	1,466.8
Other payables	25.3	25.7
Provisions	23.0	25.4
Deferred income tax liabilities	142.6	140.2
	1,734.6	1,658.1
Total liabilities	2,552.2	2,432.0
Net assets	1,370.4	1,323.8
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.4	677.4
Other reserves	396.5	381.1
Retained earnings	295.6	263.8
Equity attributable to shareholders of the parent	1,369.9	1,322.7
Non-controlling interest	0.5	1.1
Total equity	1,370.4	1,323.8

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
Balance at 1 January 2012 (audited)	0.4	677.4	44.9	0.6	0.4	(11.4)	327.8	172.2	0.9	1,213.2
Share options charge	–	–	7.7	–	–	–	–	0.2	–	7.9
Dividends payable	–	–	–	–	–	–	–	(50.0)	(0.1)	(50.1)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	246.2	0.2	246.4
Other comprehensive income – before tax	–	–	–	–	–	6.3	–	8.0	–	14.3
Other comprehensive income - tax	–	–	–	–	–	(2.2)	–	(1.9)	–	(4.1)
Balance at 30 September 2012 (unaudited)	0.4	677.4	52.6	0.6	0.4	(7.3)	327.8	374.7	1.0	1,427.6
Balance at 1 January 2013 (audited)	0.4	677.4	54.8	0.6	0.4	(2.5)	327.8	263.8	1.1	1,323.8
Share options charge	–	–	5.4	–	–	–	–	0.7	–	6.1
Dividends payable	–	–	–	–	–	–	–	(122.8)	–	(122.8)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(1.0)	(1.0)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	150.5	0.4	150.9
Other comprehensive income – before tax	–	–	–	–	(0.1)	12.7	–	4.3	–	16.9
Other comprehensive income - tax	–	–	–	–	–	(2.6)	–	(0.9)	–	(3.5)
Balance at 30 September 2013 (unaudited)	0.4	677.4	60.2	0.6	0.3	7.6	327.8	295.6	0.5	1,370.4

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(unaudited)

(US\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Cash flow from operating activities				
Cash generated from operations	196.3	157.9	490.1	560.0
Interest received	0.1	0.3	0.8	1.5
Income taxes paid	(1.1)	(22.9)	(15.7)	(64.1)
Net cash flow from operating activities	195.3	135.3	475.2	497.4
Cash flow from investing activities				
Purchase of property, plant and equipment	(113.5)	(64.9)	(358.4)	(290.9)
Additions to capitalised development costs and other intangibles	(7.5)	(0.7)	(22.3)	(8.3)
Own work capitalised	(7.0)	(5.0)	(18.8)	(17.7)
Acquisition of subsidiaries and other investments	(0.6)	–	(3.2)	(13.1)
Net cash used in investing activities	(128.6)	(70.6)	(402.7)	(330.0)
Cash flow from financing activities				
Dividends paid	–	–	(122.8)	(150.0)
Repayment of EIB Facility	–	–	(25.7)	(25.7)
Drawdown of Ex-Im Bank Facility	27.2	22.0	102.8	92.0
Gross issuance proceeds of Senior Notes due 2017	–	–	–	212.0
Interest paid on borrowings	(12.7)	(10.9)	(59.7)	(56.6)
Arrangement costs of financing	(0.9)	(0.8)	(3.5)	(6.9)
Intercompany funding	0.1	(1.9)	(2.1)	46.7
Other financing activities	(0.1)	(0.3)	(0.3)	(0.5)
Net cash from/(used in) financing activities	13.6	8.1	(111.3)	111.0
Foreign exchange adjustment	0.2	(0.2)	(0.1)	0.3
Net increase/(decrease) in cash and cash equivalents	80.5	72.6	(38.9)	278.7
Movement in cash and cash equivalents				
At beginning of period	211.1	370.6	330.5	164.5
Net increase/(decrease) in cash and cash equivalents	80.5	72.6	(38.9)	278.7
As reported on balance sheet (net of bank overdrafts)	291.6	443.2	291.6	443.2
At end of period, comprising				
Cash at bank and in hand	54.5	41.3	54.5	41.3
Short-term deposits with original maturity of less than 3 months	238.0	405.0	238.0	405.0
Bank overdrafts	(0.9)	(3.1)	(0.9)	(3.1)
	291.6	443.2	291.6	443.2

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 have been approved by the Board of Directors for issue on 7 November 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 September 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. 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 September 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 RESULTS (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 September 2013					Nine months ended 30 September 2013				
	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenues										
External sales	124.3	184.4	–	(1.8)	306.9	386.8	562.2	–	(1.8)	947.2
Inter-segment	74.0	3.9	–	(77.9)	–	215.4	10.7	–	(226.1)	–
Total revenues	198.3	188.3	–	(79.7)	306.9	602.2	572.9	–	(227.9)	947.2
EBITDA	146.3	22.1	–	0.3	168.7	435.6	62.3	–	(0.1)	497.8
Segment result (operating profit) before operating profit from LightSquared and impairment losses	105.4	1.8	–	0.3	107.5	316.9	10.9	–	(0.1)	327.7
Operating profit from LightSquared	4.7	–	–	–	4.7	6.7	–	–	–	6.7
Impairment losses	–	(77.0)	–	–	(77.0)	–	(86.4)	–	–	(86.4)
Segment result (operating profit/(loss))	110.1	(75.2)	–	0.3	35.2	323.6	(75.5)	–	(0.1)	248.0
Net interest charged to the Income Statement	–	–	(4.9)	–	(4.9)	–	–	(18.6)	–	(18.6)
Profit before income tax					30.3					229.4
Income tax expense					(15.1)					(78.5)
Profit for the period					15.2					150.9
Capital expenditure ^(b)	(114.5)	(16.6)	–	0.1	(131.0)	(418.4)	(48.8)	–	0.2	(467.0)
Depreciation	(32.8)	(9.7)	–	–	(42.5)	(98.1)	(19.8)	–	–	(117.9)
Amortisation of intangible assets	(6.4)	(11.3)	–	–	(17.7)	(16.9)	(33.7)	–	–	(50.6)

(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 September 2012					Nine months ended 30 September 2012				
	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenues										
External sales	123.3	202.6	–	–	325.9	417.5	592.6	–	–	1,010.1
Inter-segment	75.1	3.3	–	(78.4)	–	222.1	9.5	–	(231.6)	–
Total revenues	198.4	205.9	–	(78.4)	325.9	639.6	602.1	–	(231.6)	1,010.1
EBITDA	137.3	24.5	–	1.0	162.8	465.3	77.9	–	0.9	544.1
Segment result (operating profit) before operating profit from LightSquared										
Operating profit from LightSquared	90.1	0.3	–	1.0	91.4	292.6	7.9	–	0.9	301.4
Operating profit from LightSquared	2.0	–	–	–	2.0	51.3	–	–	–	51.3
Segment result (operating profit)	92.1	0.3	–	1.0	93.4	343.9	7.9	–	0.9	352.7
Net interest charged to the Income Statement										
Statement	–	–	(12.8)	–	(12.8)	–	–	(35.2)	–	(35.2)
Profit before income tax					80.6					317.5
Income tax expense					(15.3)					(71.1)
Profit for the period					65.3					246.4
Capital expenditure ^(b)	(94.6)	(11.4)	–	–	(106.0)	(298.3)	(36.7)	–	–	(335.0)
Depreciation	(40.3)	(12.3)	–	–	(52.6)	(107.1)	(35.7)	–	–	(142.8)
Amortisation of intangible assets	(4.9)	(12.8)	–	–	(17.7)	(14.3)	(35.7)	–	–	(50.0)

(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 September		Nine months ended 30 September	
	2013	2012	2013	2012
Interest on Senior Notes and credit facilities	(22.3)	(21.5)	(65.6)	(59.8)
Interest on Inmarsat Solutions borrowings	–	(0.2)	(0.3)	(0.4)
Pension and post-employment liability finance costs	–	(0.1)	–	(0.1)
Interest rate swaps	(2.4)	(2.3)	(7.1)	(6.8)
Unwinding of discount on deferred satellite liabilities	(0.5)	(0.5)	(1.4)	(1.6)
Unwinding of discount on deferred consideration	–	(0.1)	–	(0.1)
Amortisation of debt issue costs	(1.9)	(1.7)	(5.3)	(4.7)
Intercompany interest	(0.7)	(2.1)	(2.5)	(2.5)
Other interest	(0.1)	(0.2)	(0.3)	(0.3)
Interest payable and similar charges	(27.9)	(28.7)	(82.5)	(76.3)
Less: Amounts included in the cost of qualifying assets	22.0	15.0	60.7	39.4
Total interest payable and similar charges	(5.9)	(13.7)	(21.8)	(36.9)
Bank interest receivable and other interest	0.8	0.5	1.5	1.2
Net amortisation of premium on Senior Notes due 2017	0.4	0.4	1.2	0.5
Pension and post-employment liability finance income	(0.2)	–	0.1	–
Intercompany interest receivable	–	–	0.4	–
Total interest receivable and similar income	1.0	0.9	3.2	1.7
Net interest payable	(4.9)	(12.8)	(18.6)	(35.2)

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 September 2013			As at 31 December 2012		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	0.9	–	0.9	0.8	–	0.8
Deferred satellite payments	11.2	–	11.2	8.3	–	8.3
EIB Facility ^(a)	44.1	–	44.1	44.1	–	44.1
Total current borrowings	56.2	–	56.2	53.2	–	53.2
Non-current:						
Deferred satellite payments	20.5	–	20.5	20.4	–	20.4
Senior Notes due 2017 ^(b)	850.0	(9.3)	840.7	850.0	(11.0)	839.0
– Net issuance premium	6.4	–	6.4	7.5	–	7.5
EIB Facility ^(a)	194.5	(1.2)	193.3	220.2	(1.6)	218.6
Ex-Im Bank Facility ^(c)	500.4	(17.6)	482.8	397.6	(16.3)	381.3
Total non-current borrowings	1,571.8	(28.1)	1,543.7	1,495.7	(28.9)	1,466.8
Total Borrowings^(d)	1,628.0	(28.1)	1,599.9	1,548.9	(28.9)	1,520.0
Cash and cash equivalents	(292.5)	–	(292.5)	(331.3)	–	(331.3)
Net Borrowings	1,335.5	(28.1)	1,307.4	1,217.6	(28.9)	1,188.7

- (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 September 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 September 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 September 2013
Recurring fair value measurements:	
Financial assets:	
Forward foreign currency contracts – designated cash flow hedges	10.2
Forward foreign currency contracts – undesignated	0.5
Financial liabilities:	
Forward foreign currency contracts – designated cash flow hedges	(0.3)
Interest rate swap – designated cash flow hedge	(2.3)
Total net fair value	8.1

The fair values 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 values 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 values 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 September 2013	As at 31 December 2012	As at 30 September 2012	As at 30 September 2013	As at 31 December 2012	As at 30 September 2012
Financial liabilities:						
Senior Notes due 2017	850.0	850.0	850.0	887.2	912.7	918.0

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 enquiries from Her Majesty’s Revenue and Customs (“HMRC”) in respect of financing arrangements which have been entered into in prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of US\$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 on-going enquiries being made by HMRC.

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

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

9. Events after the balance sheet date

Subsequent to 30 September 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.