



Inmarsat Group Limited First Quarter Results 2015

First Quarter Headlines

- Total revenues \$304.8m (Q1 2014: \$344.7m)
 - Maritime up \$1.6m to \$149.8m (+1.1%)
 - Government down \$12.7m to \$66.8m (-16.0%)
 - Enterprise down \$5.5m to \$38.9m (-12.4%); underlying growth (excl. disposal) +6.9%
 - Aviation up \$4.9m to \$27.1m (+22.1%)
 - Revenues from LightSquared down \$27.8m to \$17.5m (Q1 2014: \$45.3m)
- Wholesale Mobile Satellite Service (MSS) revenues \$198.2m, up 3.5% (Q1 2014: \$191.5m)
- Total EBITDA¹ \$177.0m (Q1 2014: \$209.9m)
- Profit after tax \$82.8m (Q1 2014: \$106.2m)

Operational Highlights

- I-5 F2 launched and now deployed successfully into geostationary orbit
- I-5 F3 shipped to Baikonur and on track for launch in early June
- Key voice and data services in the EMEA region transitioned successfully to Alphasat
- Significant progress made in Aviation contracts and S-band licensing
- First Inmarsat Developer Conference held, to drive growth of innovative solutions

Outlook

Our expectations for the Group's performance in 2015 remain unchanged. The trading environment is expected to be broadly similar to 2014, with continuing underlying revenue growth in Maritime, Enterprise and Aviation and continued weakness in Government, particularly in the US.

The Group's longer term guidance remains unchanged:

- Wholesale MSS revenue is expected to fall within the 8-12% CAGR growth range for 2014-16.
- Annual GX revenues of \$500m are expected by the fifth anniversary of the global launch of commercial GX services.
- 2015 capex is expected to be in the range \$450-500m, and capex in both 2016 and 2017 is expected to be below \$400m.

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

Results Conference Call

Inmarsat management will discuss the first quarter results in a conference call on Wednesday 6 May 2015 at 08.30 hrs London time.

To access the call please dial +44(0)20 3427 0503. The conference id for the call is 1288566. The call will also be web-cast at www.inmarsat.com.

The call will be recorded and available on our website after the event. A copy of this announcement can also be found on our website at www.inmarsat.com.

Forward looking Statements

This announcement contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances.

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the three months ended 31 March 2015. 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.

In addition to 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. All discussion of results relates to the three months ended 31 March 2015, and all comparisons are with the three months ended 31 March 2014, unless specifically stated otherwise.

OPERATING REVIEW

Market environment

There was no material change in the market environment. We continued to see increasing demand for mobile data across all our Maritime, Aviation and Enterprise markets, although pressure on budgets and lower operational requirements continue to mean reduced spending on satellite communications by many of our traditional Government customers.

Global Xpress Programme update

Our second GX satellite, I-5 F2, was launched successfully on 1 February 2015, to cover the Americas and Atlantic Ocean region. The satellite and has now been deployed successfully into geostationary orbit and payload testing has been completed.

The third GX satellite, I-5 F3, has been shipped to the Baikonur Cosmodrome and we currently expect to launch this satellite in early June. This will enable it to arrive on station early-to-mid third quarter, and payload testing then to be carried out through mid-to-late third quarter.

The I-5 constellation will then be in position for the launch of global commercial GX services mid-to-late third quarter of 2015, and we expect this to provide a revenue growth inflection opportunity for GX, as many of our customers are waiting for global coverage before committing to buy the service.

Our fourth GX satellite, I-5 F4 is currently under construction by Boeing in California, and remains on schedule for completion in mid-2016, with a potential SpaceX launch in the second half of 2016.

We expanded our GX Value Added Reseller (VAR) network in the quarter, with new agreements signed with Satcom Direct, AST, and Speedcast, covering our maritime and enterprise markets. Four new GX VAR agreements were also signed with Beijing Marine Communication Navigation Company (MCN), covering maritime, aviation, enterprise and Chinese government markets.

Development and testing of GX aviation equipment continued, including the successful over-the-air performance testing of Honeywell's JetWave on-board hardware, through which the GX network supported multiple file transfers and video streaming to the aircraft. We are also working with Honeywell and Kymeta to develop a new, flat panel GX wireless antenna for business and commercial aircraft, to deliver faster connectivity as well as reducing weight and drag.

European Aviation Network Programme update

Our S-band satellite currently under construction remains on schedule for launch in late 2016. We continue to make good progress in the development of our complementary Air-to-Ground (ATG) network, with discussions well advanced with potential partners and suppliers.

The acquisition of licenses from Member States is also progressing well. Licenses for the satellite component of the network have been received in 25 EU Member States. For the ground component licenses, in addition to the eleven countries from which we previously reported having received authorisations or in-principle approvals, we have now made significant progress in the majority of the remaining 17 Member States, including several in which the process had initially moved slowly.

We are in an advanced stage of discussions, directly and through channel partners, with a number of major European airlines, to provide both S-band and GX connectivity solutions for their passengers.

LightSquared Cooperation Agreement

A payment of \$17.5m due from LightSquared on 31 December 2014 was received on 25 February 2015 and the revenue was recognised in the first quarter of 2015.

A quarterly payment of \$17.5m due from LightSquared on 31 March 2015 was not received on time and as a result we have issued a default notice to LightSquared. This revenue was not recognised in the first quarter.

In March 2015 LightSquared received Court approval for its plan to exit from Chapter 11 of the US Bankruptcy Code. The exit from bankruptcy is subject, among other things, to FCC approval of change of control and payments from LightSquared therefore continue to be subject to material uncertainty.

At 31 March 2015, deferred income remaining in relation to the Cooperation Agreement of \$208.8m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, remains uncertain.

Acquisitions and Disposals

Disposal of 19% stake in SkyWave

In January 2015 we completed the sale of our 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of \$32.9m, giving rise to a profit after tax of \$8.1m. ORBCOMM in turn acquired 100% of SkyWave.

The share sale was one part of a suite of agreements with ORBCOMM, covering the joint ownership and future development and commercialization of the IsatData Pro (IDP) technology. As part of these agreements we acquired SkyWave's ground network assets, hosted at three Inmarsat Satellite Access Stations, for \$7.5m.

New Services and Developments

Transition of key services to Alphasat

In March we completed the successful transition of key voice and broadband data services for the EMEA region from our I-4 F2 satellite to Alphasat, including FleetBroadband, SwiftBroadband, BGAN and Classic Aero. GPS services were transferred previously.

Following the transition of the last remaining services from I-4 F2, this satellite will be flown to a new orbital position to create a fourth full-service L-band region serving the Middle East and Asia (MEAS), which we plan will begin commercial services by the end of the year.

The transition to Alphasat enhances our capabilities in the EMEA region, adding additional capacity and providing us with a platform for delivering new and enhanced services. The creation of a fourth satellite region addresses the growing demand for our services in the region where we are currently seeing the highest traffic growth.

First Inmarsat Developer Conference

As part of the development of the next generation of our global mobile satellite technology and applications, we have initiated a new open technology strategy, opening up our platforms to developers to encourage new ideas that will add value for customers and drive airtime traffic.

The inaugural Inmarsat Developer Conference provided over 300 software, hardware and application developers with the opportunity to hear about this strategy and to meet other companies that are already using Inmarsat's infrastructure to develop innovative business solutions. New developers were also introduced to Inmarsat's Certified Application Partner programme.

The conference highlighted the biggest growth areas for satellite communications within each market sector, and enabled developers to identify ways to utilise Inmarsat's open technologies, focusing in particular on Global Xpress as a platform on which to build bespoke applications in new areas.

Flight tracking

We launched a partnership with Airservices Australia and other aviation industry stakeholders to trial improved flight tracking services on commercial airline flights to and from Australia. This followed the International Civil Aviation Organization (ICAO) resolution in February, supported by Inmarsat, to adopt a new 15-minute tracking standard for commercial aircraft.

Inmarsat is working with Airservices Australia, Qantas and Virgin Australia to develop the operational concept for the trial, using Automatic Dependent Surveillance – Contract (ADS-C) satellite technology in Australia's oceanic regions. ADS-C provides air traffic controllers with a constantly updated surveillance picture of their airspace, thereby allowing safe and efficient oceanic operations.

LAISR

We announced that our new L-band Airborne Intelligence, Surveillance and Reconnaissance (LAISR) service completed successful customer airborne testing and will be available for U.S. Government customers by June of this year. This new service will meet the high-speed, beyond line-of-sight connectivity requirements of Airborne Intelligence, Surveillance and Reconnaissance missions

LAISR will provide guaranteed L-band data transmission rates up to 10 Mbps and applications will include real-time high-definition video streaming, providing full situational awareness for the military and intelligence community. This capability can be added to existing platforms supporting our SwiftBroadband service, and operating in the L-band ensures the highest availability of service.

IsatPhone 2 emergency response service

We introduced free world-wide access to an emergency response service for all post-pay IsatPhone 2 customers. Pressing the IsatPhone 2's assistance button triggers a message containing the user's GPS co-ordinates that is routed to the GEOS International Emergency Response Coordination Center. On receipt of the message staff at the Centre, located in Houston, USA, contact the user directly to establish the nature of the emergency, and then notify the appropriate authorities based in-region.

FleetMedia

In March we announced initial trials of our Fleet Media service, delivering on-board entertainment for the commercial maritime market. A comprehensive catalogue of Hollywood and international film and television programming, along with sports and news content, will be available to crew over the Inmarsat network for on-demand, offline viewing. Fleet Media is currently available on XpressLink and will be available across the wider Inmarsat Maritime portfolio by the end of the first half of 2015.

FINANCIAL REVIEW

During the quarter ended 31 March 2015 Group revenue decreased by \$39.9m (-11.6%) to \$304.8m (Q1 2014: \$344.7m). This included \$27.8m lower revenues in respect of the LightSquared Cooperation Agreement and \$8.0m less revenues as a consequence of the sale of retail energy-related assets within the Enterprise business unit in 2014.

Excluding the impact of these items, underlying revenues decreased by \$4.1m or 1.4%, with underlying growth in Maritime, Enterprise and Aviation offset by continuing slowdown in our Government business. Included in the above is an increase in Wholesale MSS revenues of \$6.7m, or 3.5%, to \$198.2m.

Net operating costs decreased by \$7.0m, or 5.2%, during the quarter ended 31 March 2015, compared with the same period in 2014. This is due primarily to the sale of retail energy-related assets within the Enterprise business unit in February 2014, and the impact of lower non-MSS sales in the revenue mix.

As a consequence, EBITDA for the quarter ended 31 March 2015 decreased by \$32.9m (-15.7%) to \$177.0m (Q1 2014: \$209.9m). The EBITDA margin of 58.1% decreased from 60.9% in the prior year, principally as a result of lower LightSquared Cooperation Agreement revenue.

Results by Business Unit

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

(\$ in millions)	Three months ended 31 March					Total 2015	Total 2014
	Maritime 2015	Government 2015	Enterprise 2015	Aviation 2015	Central Services 2015		
Revenue							
MSS and other	149.8	66.8	38.9	27.1	4.7	287.3	299.4
LightSquared	–	–	–	–	17.5	17.5	45.3
Total revenue	149.8	66.8	38.9	27.1	22.2	304.8	344.7
Operating costs	(32.9)	(21.0)	(12.7)	(4.8)	(56.4)	(127.8)	(134.8)
EBITDA	116.9	45.8	26.2	22.3	(34.2)	177.0	209.9
EBITDA margin %	78.0%	68.6%	67.4%	82.3%		58.1%	60.9%
Depreciation and amortisation	(8.5)	(2.2)	(0.1)	(0.5)	(64.1)	(75.4)	(67.6)
Gain/(loss) on disposal of assets	–	–	–	–	9.3	9.3	–
Impairment losses	–	–	–	–	–	–	(1.1)
Other	–	–	–	–	0.6	0.6	0.5
Operating profit	108.4	43.6	26.1	21.8	(88.4)	111.5	141.7

Maritime

(\$ in millions)	Three months ended 31 March		Increase/ (decrease)
	2015	2014	
Revenue	149.8	148.2	1.1%
Net operating costs	(32.9)	(36.7)	(10.4%)
EBITDA	116.9	111.5	4.8%
EBITDA margin %	78.0%	75.2%	
Depreciation and amortisation	(8.5)	(8.1)	4.9%
Operating result	108.4	103.4	4.8%

Maritime revenues for the quarter increased by \$1.6m, or 1.1%, compared with the same period in 2014. This reflects continuing strong growth in our FleetBroadband (FB) revenues (+24%) and VSAT revenues (+13%), offset by the ongoing decline in our legacy services, particularly Fleet (-51%). Terminal revenues were also lower compared to the same period in 2014.

Wholesale FB ARPU in the quarter increased to just over \$700 per month (Q4 2014: \$638), driven by the continuing end user migration to higher rate plans. After a slow start to the quarter, VSAT installations recovered strongly in March, with a healthy pipeline also developing.

Net operating costs for the quarter decreased by \$3.8m, or 10.4%, compared with the same period of 2014. This decrease mainly reflects the growth in revenues from higher margin services and the decline in revenues from lower margin non-MSS sales.

During the quarter, Maritime EBITDA increased by \$5.4m, or 4.8%, compared to the prior year, reflecting the stronger performance in the quarter from higher margin products, particularly FleetBroadband. This is also reflected in the EBITDA margin, which increased from 75.2% to 78.0%.

Government

(\$ in millions)	Three months ended 31 March		Increase/ (decrease)
	2015	2014	
Revenue	66.8	79.5	(16.0%)
Net operating costs	(21.0)	(25.6)	(18.0%)
EBITDA	45.8	53.9	(15.0%)
EBITDA margin %	68.6%	67.8%	
Depreciation and amortisation	(2.2)	(2.3)	(4.3%)
Operating result	43.6	51.6	(15.5%)

We continue to see a decline in our Government business revenues as a result of continued downward pressure on budgets and reduced operational requirements among our traditional Government users. Total Government revenues for the quarter were down by \$12.7m, or 16.0%, compared with the same period in 2014.

In the US, which accounted for the major part of the decline, we saw lower revenues across most of our main service areas, in particular leases and legacy aviation products. Lower margin non-MSS network services revenues also declined. The initial uptake of GX services was in line with our expectations.

Outside the US there was a slower start to the year due to lower operational requirements in some of our traditional Government users, reflected in particular in lower lease revenues, including the impact of one major contract that was renewed with a lower value and different usage profile.

Net operating costs were \$4.6m, or 18.0%, lower than the same period of 2014, mainly reflecting the reduction in revenues.

Government EBITDA decreased \$8.1m, or 15.0%, compared with the same quarter of 2014, primarily as a result of declining revenue. However, the EBITDA margin of 68.6% was slightly higher than the same period in 2014.

Enterprise

(\$ in millions)	Three months ended		Increase/ (decrease)
	31 March		
	2015	2014	
Revenue	38.9	44.4	(12.4%)
Net operating costs	(12.7)	(18.4)	(31.0%)
EBITDA	26.2	26.0	0.8%
EBITDA margin %	67.4%	58.6%	
Depreciation and amortisation	(0.1)	(0.3)	(66.7%)
Operating result	26.1	25.7	1.6%

Enterprise revenues for the quarter decreased by \$5.5m, or 12.4%, compared with 2014. This was due to the sale of retail energy-related assets in February 2014. Excluding the impact of these disposals, revenues were up by \$2.5m, or 6.9%, in the quarter, compared with 2014. The growth was mainly driven by increased machine to machine (M2M) revenues (+29%) and FB airtime revenues (+51%), partially offset by the continuing decline in BGAN revenues (-9%).

Net operating costs decreased by \$5.7m, or 31.0%, compared to the same period of 2014. This decrease was due to the disposals of our retail energy-related assets during 2014.

Enterprise EBITDA increased by \$0.2m, or 0.8%, with underlying business growth offsetting the disposal of our retail energy-related assets in 2014. The significant improvement in EBITDA margin in the quarter to 67.4%, from 58.6% in the same quarter of 2014 was also attributable to disposals of the retail energy-related assets.

Aviation

(\$ in millions)	Three months ended		Increase/ (decrease)
	31 March		
	2015	2014	
Revenue	27.1	22.2	22.1%
Net operating costs	(4.8)	(1.7)	182.4%
EBITDA	22.3	20.5	8.8%
EBITDA margin %	82.3%	92.3%	
Depreciation and amortisation	(0.5)	(0.5)	- %
Operating result	21.8	20.0	9.0%

Aviation revenues increased by \$4.9m, or 22.1% compared with 2014. This was primarily driven by growth in Swiftbroadband (SB) revenues (+38%). SB active SIMS increased by 455 in the quarter to 5,905 and SB ARPU also continued to grow strongly.

Net operating costs increased by \$3.1m compared to 2014, due mainly to higher employee related costs reflecting additional investment to support the growth in our passenger connectivity business.

EBITDA increased by \$1.8m, or 8.8%, compared to 2014, as higher revenues more than offset the investment in the cost base. However there was some decline in EBITDA margin which decreased to 82.3% (Q1 2014: 92.3%), reflecting the increase in operating costs.

Central Services

(\$ in millions)	Three months ended 31 March		Increase/ (decrease)
	2015	2014	
Revenue			
LightSquared	17.5	45.3	(61.4%)
Other	4.7	5.1	(7.8%)
Total revenue	22.2	50.4	(56.0%)
Net operating costs	(56.4)	(52.4)	7.6%
EBITDA	(34.2)	(2.0)	
Depreciation and amortisation	(64.1)	(56.4)	13.7%
Gain on disposal of assets	9.3	–	
Impairment losses	–	(1.1)	
Other	0.6	0.5	
Operating result	(88.4)	(59.0)	49.8%

Central Services revenues and EBITDA for the quarter decreased by \$28.2m and \$32.2m, respectively, due primarily to lower revenues from LightSquared.

Net operating costs increased by \$4.0m, or 7.6%, compared with the same period of 2014.

The increase in depreciation and amortisation of \$7.7m to \$64.1m (Q1 2014: \$56.4m) primarily relates to our Inmarsat-5 F1 satellite entering commercial service (and therefore starting to be depreciated) in July 2014.

Reconciliation of operating profit to profit after tax

(\$ in millions)	Three months ended 31 March		Increase/ (decrease)
	2015	2014	
Operating profit	111.5	141.7	(21.3%)
Net finance expense	(8.5)	(8.2)	3.7%
Income tax expense	(20.2)	(27.3)	(26.0%)
Profit after tax	82.8	106.2	(22.8%)

Operating profit

As a result of the factors discussed above, operating profit for the quarter was \$111.5m, a decrease of \$30.2m (21.3%), compared with 2014.

Net finance expense

During the quarter, net finance expense increased by \$0.3m to \$8.5m compared to net finance expense of \$8.2m in the same period of 2014, primarily due to lower amounts capitalised to the cost of qualifying assets during the current quarter.

Income tax expense

The tax charge for the quarter was \$20.2m (Q1 2014: \$27.3m), a decrease of \$7.1m, or 26.0% compared with 2014. The decrease in the tax charge was largely driven by the decrease in profit before tax, as outlined above.

The effective tax rate for the quarter was 19.7% (Q1 2014: 20.4%). This difference arises largely as a result of the reduction in the UK main rate of corporation tax from 21% to 20%. Whilst this did not become effective until 1 April 2015, this has the effect of lowering the average UK statutory tax rate for 2015, and therefore the rate upon which the three months ended 31 March 2015 tax charge is based, to 20.25% (Q1 2014: 21.5%).

Profit after tax

As a result of the factors discussed above, profit after tax for the quarter ended 31 March 2015 was \$82.8m (Q1 2014: \$106.2m), a decrease of \$23.4m compared with the same quarter in 2014.

Cash Flow

(\$ in millions)	Three months ended 31 March	
	2015	2014
EBITDA	177.0	209.9
Non-cash items	7.7	2.2
Change in working capital	7.9	(61.9)
Cash generated from operations	192.6	150.2
Capital expenditure	(88.7)	(95.7)
Net cash interest paid	(10.9)	(10.3)
Cash tax refunded/(paid)	23.1	(4.8)
Free cash flow	116.1	39.4
Acquisition of subsidiaries and other investments	–	(45.5)
Proceeds on disposal of assets	32.9	22.5
Dividends paid to shareholders	–	–
Other movement including foreign exchange	2.1	0.9
Net cash flow	151.1	17.3
Opening net borrowings	1,598.0	1,486.8
Net cash flow	(151.1)	(17.3)
Other ¹	(1.3)	(0.7)
Closing net borrowings	1,445.6	1,468.8

In the quarter, free cash flow was \$116.1m (2014: \$39.4m) with the increase driven primarily by favourable movements in working capital and net cash tax inflows in the quarter.

Capital expenditure in the quarter of \$88.7m included the launch and other costs of I-5 F2 and was \$7.0m lower (-7.3%) than in the same period last year.

The change in working capital movement mainly reflects the \$40.3m adjustment relating to LightSquared deferred revenue recognised through the profit and loss account in Q1 2014, and a reduction in trade receivables in Q1 2015 against an increase in the same quarter in 2014.

The cash tax paid in the quarter includes a tax refund of \$30.3m received in January 2015 relating to the difference between UK corporation tax paid by instalment and the final amount due determined by the filing of the 2013 tax returns.

The disposal proceeds of \$32.9m relate to the disposal of the Group's 19% stake in SkyWave announced in December 2014.

Group Liquidity and Capital Resources

At 31 March 2015, the Group had cash and cash equivalents of \$375.5m and available but undrawn borrowing facilities of \$958.1m under our Senior Credit Facility and Ex-Im Bank Facilities.

The strong cash flow in the quarter resulted in a reduction of \$152.4m in the net borrowings, from \$1,598.0m at the start of the quarter to \$1,445.6m at the end of the quarter. At the end of the first quarter 2014 net borrowings was \$1,468.8m.

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

¹ Other includes the impact of deferred financing costs.

CONDENSED UNAUDITED FINANCIAL STATEMENTS

INMARSAT GROUP LIMITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT For the three months ended 31 March 2015 (unaudited)

(\$ in millions)	Three months ended	
	2015	31 March 2014
Revenues	304.8	344.7
Employee benefit costs	(62.8)	(55.5)
Network and satellite operations costs	(45.0)	(50.9)
Other operating costs	(29.8)	(35.7)
Own work capitalised	9.8	7.3
Total operating costs	(127.8)	(134.8)
EBITDA	177.0	209.9
Depreciation and amortisation	(75.4)	(67.6)
Gain on disposal of assets	9.3	–
Impairment losses	–	(1.1)
Share of profit of associates	0.6	0.5
Operating profit	111.5	141.7
Finance income	1.3	0.9
Finance expense	(9.8)	(9.1)
Net finance expense	(8.5)	(8.2)
Profit before income tax	103.0	133.5
Income tax expense	(20.2)	(27.3)
Profit after tax	82.8	106.2
Attributable to:		
Equity holders	82.7	106.1
Non-controlling interest	0.1	0.1

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2015 (unaudited)

(\$ in millions)	Three months ended	
	2015	31 March 2014
Profit after tax	82.8	106.2
Other comprehensive income		
Amounts subsequently reclassified to the Income Statement:		
Gain on remeasurement of available-for-sale financial asset reclassified to the Income Statement	(9.4)	–
Foreign exchange translation differences	(0.2)	0.1
Net losses on cash flow hedges	(2.5)	(2.0)
Tax credited directly to equity	1.7	0.2
Amounts not subsequently reclassified to the Income Statement:		
Actuarial gains from pension and post-employment benefits	–	(0.4)
Other comprehensive income for the period, net of tax	(10.4)	(2.1)
Total comprehensive income for the period, net of tax	72.4	104.1
Attributable to:		
Equity holders	72.3	104.0
Non-controlling interest	0.1	0.1

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

**INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

(\$ in millions)	As at 31 March 2015 (unaudited)	As at 31 December 2014 (audited)	As at 31 March 2014 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	2,692.8	2,649.4	2,540.3
Intangible assets	797.9	799.6	814.1
Investments	11.0	10.8	33.1
Other receivables	23.6	24.4	21.4
Deferred income tax assets	26.7	26.7	19.6
Derivative financial instruments	–	–	2.9
	3,552.0	3,510.9	3,431.4
Current assets			
Cash and cash equivalents	376.6	202.7	164.9
Trade and other receivables	299.4	317.1	312.3
Inventories	30.1	28.4	39.9
Current income tax assets	11.6	8.5	16.3
Derivative financial instruments	–	1.4	8.5
Assets held for sale	–	32.9	5.3
	717.7	591.0	547.2
Total assets	4,269.7	4,101.9	3,978.6
Liabilities			
Current liabilities			
Borrowings	128.5	118.1	69.6
Trade and other payables	573.4	545.6	560.4
Provisions	6.5	3.4	3.0
Current income tax liabilities	112.5	77.2	126.7
Derivative financial instruments	7.8	5.0	0.8
Liabilities directly associated with assets held for sale	–	–	1.8
	828.7	749.3	762.3
Non-current liabilities			
Borrowings	1,693.7	1,682.6	1,564.1
Other payables	25.0	25.6	26.4
Provisions	21.5	27.2	23.1
Deferred income tax liabilities	194.7	186.4	183.3
	1,934.9	1,921.8	1,796.9
Total liabilities	2,763.6	2,671.1	2,559.2
Net assets	1,506.1	1,430.8	1,419.4
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	398.0	406.2	399.0
Retained earnings	429.7	346.3	342.1
Equity attributable to shareholders	1,505.5	1,430.3	1,418.9
Non-controlling interest	0.6	0.5	0.5
Total equity	1,506.1	1,430.8	1,419.4

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

**INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2015**

(\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
Balance at 1 January 2014 (audited)	0.4	677.4	63.4	8.6	0.6	0.2	327.8	236.3	0.3	1,315.0
Share options charge	–	–	0.1	–	–	–	–	0.1	–	0.2
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	0.1	0.1
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	106.1	0.1	106.2
Other comprehensive income – before tax	–	–	–	(2.0)	–	0.1	–	(0.4)	–	(2.3)
Other comprehensive income – tax	–	–	–	0.2	–	–	–	–	–	0.2
Balance at 31 March 2014 (unaudited)	0.4	677.4	63.5	6.8	0.6	0.3	327.8	342.1	0.5	1,419.4
Balance at 1 January 2015 (audited)	0.4	677.4	71.8	(1.6)	8.6	(0.4)	327.8	346.3	0.5	1,430.8
Share options charge	–	–	2.3	–	–	–	–	0.7	–	3.0
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	82.7	0.1	82.8
Other comprehensive income – before tax	–	–	–	(2.6)	(9.4)	(0.2)	–	–	–	(12.2)
Other comprehensive income – tax	–	–	–	0.3	1.4	–	–	–	–	1.7
Balance at 31 March 2015 (unaudited)	0.4	677.4	74.1	(3.9)	0.6	(0.6)	327.8	429.7	0.6	1,506.1

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
For the three months ended 31 March 2015 (unaudited)

(\$ in millions)	Three months ended 31 March	
	2015	2014
Cash flow from operating activities		
Cash generated from operations	192.6	150.2
Interest received	0.6	0.4
Income taxes refunded/(paid)	23.1	(4.8)
Net cash inflow from operating activities	216.3	145.8
Cash flow from investing activities		
Purchase of property, plant and equipment	(69.9)	(82.6)
Additions to capitalised development costs and other intangibles	(6.4)	(4.6)
Own work capitalised	(12.4)	(8.5)
Acquisition of subsidiaries and other investments	–	(45.5)
Proceeds on disposal of assets	32.9	22.5
Net cash used in investing activities	(55.8)	(118.7)
Cash flow from financing activities		
Drawdown of Ex-Im Bank Facilities	46.8	6.9
Repayment of Ex-Im Bank Facilities	(24.8)	–
Interest paid on borrowings	(11.5)	(10.7)
Arrangement costs of financing	(0.4)	(0.2)
Other financing activities	0.4	0.4
Net cash inflow from/(used in) financing activities	10.5	(3.6)
Foreign exchange adjustment	1.8	0.5
Net increase in cash and cash equivalents	172.8	24.0
Cash and cash equivalents		
At beginning of period	202.7	139.2
Net increase in cash and cash equivalents	172.8	24.0
At end of the period (net of bank overdrafts)	375.5	163.2
Comprising:		
Cash at bank and in hand	53.5	42.4
Short-term deposits with original maturity of less than three months	323.1	122.5
Bank overdrafts	(1.1)	(1.7)
Cash and cash equivalents at end of the period	375.5	163.2

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 interim financial results have been approved by the Board of Directors for issue on 6 May 2015.

The financial information presented in this release for the year ended 31 December 2014 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 quarter ended 31 March 2015 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2014 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 in the Group's 2014 annual consolidated financial statements prepared under IFRS, set out on pages 8 to 55. Operating results for the quarter ended 31 March 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. The consolidated Balance Sheet as at 31 December 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

Basis of accounting

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

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

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

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

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

3. Segment information

IFRS 8, 'Operating Segments', requires reporting segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

The segments are aligned to five market-facing business units, being:

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

These five business units are supported by "Central Services" which includes satellite operations and backbone infrastructure, corporate administrative costs, and all other income that is not directly attributable to the individual business units. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS. Therefore, the Group's reportable segments are Maritime, Enterprise, Aviation, Government and Central Services.

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

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

The tables below represent segmental information based on the revised basis with three months ended 31 March 2014 restated accordingly.

Segment information:

(\$ in millions)	Three months ended 31 March	
	2015	2014
Revenues		
Maritime	149.8	148.2
Government	66.8	79.5
Enterprise ¹	38.9	44.4
Aviation	27.1	22.2
Central Services ²	22.2	50.4
Total segment revenues	304.8	344.7
Operating profit		
Maritime	108.4	103.4
Government	43.6	51.6
Enterprise ¹	26.1	25.7
Aviation	21.8	20.0
Central Services ²	(88.4)	(59.0)
Total segment operating profit	111.5	141.7
Unallocated		
Net finance expense	(8.5)	(8.2)
Profit before income tax	103.0	133.5
Income tax expense	(20.2)	(27.3)
Profit after tax	82.8	106.2
Capital expenditure³		
Maritime	5.9	8.7
Government	0.8	3.0
Enterprise ¹	0.2	0.9
Aviation	13.9	0.3
Central Services ²	99.5	92.4
Total capital expenditure	120.3	105.3

¹ Enterprise excludes the majority of our retail energy business sold to RigNet, Inc from 31 January 2014.

² Central Services includes revenue and operating profit from LightSquared. In addition, it includes central assets and related costs, such as satellites and other ground infrastructure.

³ Capital expenditure is stated using accruals basis.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

4. Net finance expense

(\$ in millions)	Three months ended	
	2015	31 March 2014
Interest on Senior Notes and credit facilities	(19.3)	(22.5)
Unwinding of discount on deferred satellite liabilities	(0.2)	(0.4)
Amortisation of debt issue costs	(1.7)	(2.0)
Amortisation of discount on Senior Notes due 2022	(0.3)	–
Pension and post-employment liability finance costs	–	(0.1)
Other interest	(1.7)	(0.1)
Intercompany interest payable	(1.0)	(0.7)
Finance expense	(24.2)	(25.8)
Less: Amounts capitalised in the cost of qualifying assets	14.4	16.7
Total finance expense	(9.8)	(9.1)
Bank interest receivable and other interest	1.1	0.5
Net amortisation of premium on Senior Notes due 2017	–	0.4
Pension and post-employment liability finance income	0.2	–
Total finance income	1.3	0.9
Net finance expense	(8.5)	(8.2)

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

5. Net Borrowings

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

((\$ in millions)	As at 31 March 2015			As at 31 December 2014		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	1.1	–	1.1	–	–	–
Deferred satellite payments	4.1	–	4.1	5.9	–	5.9
EIB Facility ⁽¹⁾	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities ⁽²⁾	79.2	–	79.2	68.1	–	68.1
Total current borrowings	128.5	–	128.5	118.1	–	118.1
Non-current:						
Deferred satellite payments	15.9	–	15.9	17.4	–	17.4
Senior Notes due 2022 ⁽³⁾	1,000.0	(8.2)	991.8	1,000.0	(8.7)	991.3
– Net issuance discount	(7.3)	–	(7.3)	(7.6)	–	(7.6)
EIB Facility ⁽¹⁾	132.1	(0.5)	131.6	132.1	(0.6)	131.5
Ex-Im Bank Facilities ⁽²⁾	579.8	(18.1)	561.7	568.9	(18.9)	550.0
Total non-current borrowings	1,720.5	(26.8)	1,693.7	1,710.8	(28.2)	1,682.6
Total Borrowings⁽⁴⁾	1,849.0	(26.8)	1,822.2	1,828.9	(28.2)	1,800.7
Cash and cash equivalents	(376.6)	–	(376.6)	(202.7)	–	(202.7)
Net Borrowings	1,472.4	(26.8)	1,445.6	1,626.2	(28.2)	1,598.0

1. This facility matures on 30 April 2018 and became repayable in equal annual instalments on both tranches with effect from 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.
2. During 2014, the Group signed a 7-year \$185.9m direct financing agreement with Ex-Im Bank. The facility has a total availability period of two years and will then be repayable in equal semi-annual instalments over a further 5 years. Drawings under the facility incur interest at a fixed rate of 1.96% for the life of the loan. In addition, the \$700.0m facility signed in 2011 is available for four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.
3. On 4 June 2014, the Group issued \$1 billion aggregate principal amount of 4.875% Senior Notes due in 2022 (“Senior Notes due 2022”). The aggregate gross proceeds were \$991.9m, net of \$8.1m issuance discount.
4. On 30 June 2011, the Group signed a five-year \$750.0m revolving credit facility (“Senior Credit Facility”). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 31 March 2015, there were no drawings on the Senior Credit Facility.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

6. Financial instruments fair value disclosures

The Group held financial instruments at fair value at 31 March 2015, as set out below. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Recurring fair value measurements at the end of the reporting period were:

(\$ in millions)	As at 31 March 2015	As at 31 December 2014
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	–	1.4
	–	1.4
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	7.1	4.5
Forward foreign currency contracts – undesignated	0.7	0.5
	7.8	5.0

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

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

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

(\$ in millions)	As at 31 March 2015		As at 31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	999.4	1,000.0	992.5

7. Contingent liability

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

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgement.

The Group has contingent liabilities in respect of taxes for which no provisions have been made. During 2013, the Group received enquiries from HMRC in respect of prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of \$18m.

The Group has sought external advice and management does not believe that a material economic outflow is probable; therefore no provision has been recorded in these financial statements. However, this disclosure has been made in light of the ongoing enquiries being made by HMRC. No accurate estimation of the time required to settle this matter can currently be given.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

8. Disposal groups

In January 2015, the Group completed the sale of its 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of \$32.9m and recognised an after-tax gain of \$8.1m. The share sale was one part of a suite of agreements with ORBCOMM, covering the joint ownership and future development and commercialization of the IsatData Pro (IDP) technology. As part of these agreements the Group acquired SkyWave's satellite network assets, hosted at three Inmarsat Satellite Access Stations, for \$7.5m.

CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

USE OF NON-GAAP FINANCIAL INFORMATION

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. However, non-IFRS measures presented are not uniformly defined by all companies, including those in the Group’s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

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. 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, acquisition-related adjustments, impairment losses and share of profit of associates. EBITDA and the related ratios are supplemental measures of our performance and liquidity 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.

Underlying performance

We use underlying performance to remove the impacts of acquisitions or dispositions from the operating results of our segments. We believe it facilitates operating performance comparisons from period to period and management decision-making.

Enterprise – underlying performance excludes the results attributable to the energy business disposed of in 2014.