



Inmarsat Group Limited reports Third Quarter Results 2016

Operational Highlights

- Group revenue and EBITDA for the quarter grew by 5.8% and 13.2% respectively, with continued growth in Government, Aviation and Ligado revenues, lower Maritime and Enterprise revenues, and lower operating costs.
- We continue to make good progress in Aviation cabin connectivity with both Global Xpress ('GX') and the European Aviation Network ('EAN'). After the quarter end, IAG, Air New Zealand, and another major European airline all confirmed that they would be using Inmarsat GX and / or EAN connectivity services.
- GX continued to gain early market traction with double digit revenues in Government, growing migration of Maritime customers from XpressLink ('XL') to Fleet Xpress ('FX'), installations of FX for new Maritime customers and important new line fit certifications for JetWave™, Honeywell's Aviation GX antenna.
- Following the recent problems at SpaceX, the launch of I-5 F4 (our fourth GX satellite) will be delayed into 2017. Capital expenditure in 2016 is consequently now expected to be between \$400m and \$500m. All other guidance remains unchanged with the impact of the launch delay still to be determined.
- During the quarter Inmarsat successfully raised \$1.05bn of new long term capital to address upcoming bond and convertible maturities and provide additional investment capital.

Third Quarter Financial Headlines

- Total revenues up \$18.8m (+5.8%) at \$341.9m (Q3 2015: \$323.1m)
 - Maritime \$7.4m lower at \$142.8m (-4.9%)
 - Government up \$7.6m to \$84.8m (+9.8%)
 - Enterprise \$2.1m lower at \$37.6m (-5.3%)
 - Aviation up \$3.3m to \$35.9m (+10.1%)
 - Ligado Networks income up \$17.6m at \$35.5m (+98.3%)
- EBITDA¹ up \$23.8m (+13.2%) at \$204.2m (Q3 2015: \$180.4m)
- Profit after tax up \$27.5m (+40.6%) at \$95.2m (Q3 2015: \$67.7m)

¹ EBITDA is defined as profit before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates and, as a non-statutory metric, has been reconciled to profit after tax on p.10.

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 the operations and financial condition of Inmarsat Group Limited (the 'Company' or, together with its subsidiaries, the 'Group') for the three months ended 30 September 2016. 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 30 September 2016, and all comparisons are with the three months ended 30 September 2015, unless specifically stated otherwise.

Financial Highlights

Three months ended 30 September

(\$ in millions)	Maritime 2016	Government 2016	Enterprise 2016	Aviation 2016	Central Services 2016	Total 2016	Total 2015
Revenue							
MSS and other	142.8	84.8	37.6	35.9	5.3	306.4	305.2
Ligado Networks ¹	–	–	–	–	35.5	35.5	17.9
Total revenue	142.8	84.8	37.6	35.9	40.8	341.9	323.1
Operating costs	(30.0)	(24.8)	(10.8)	(11.5)	(60.6)	(137.7)	(142.9)
EBITDA	112.8	60.0	26.8	24.4	(19.8)	204.2	180.2
<i>EBITDA margin</i>	<i>79.0%</i>	<i>70.8%</i>	<i>71.3%</i>	<i>68.0%</i>	–	<i>59.7%</i>	<i>55.8%</i>
Capital expenditure²	9.1	0.4	–	37.4	40.5	87.4	71.9

Nine months ended 30 September

(\$ in millions)	Maritime 2016	Government 2016	Enterprise 2016	Aviation 2016	Central Services 2016	Total 2016	Total 2015
Revenue							
MSS and other	432.5	225.5	110.1	100.5	13.4	882.0	886.4
Ligado Networks ¹	–	–	–	–	88.9	88.9	52.9
Total revenue	432.5	225.5	110.1	100.5	102.3	970.9	939.3
Operating costs	(92.6)	(64.3)	(29.3)	(30.9)	(181.5)	(398.6)	(416.4)
EBITDA	339.9	161.2	80.8	69.6	(79.2)	572.3	522.9
<i>EBITDA margin</i>	<i>78.6%</i>	<i>71.5%</i>	<i>73.4%</i>	<i>69.3%</i>	–	<i>58.9%</i>	<i>55.7%</i>
Capital expenditure²	32.8	2.3	0.3	69.5	157.9	262.8	327.6

¹ On 11 February 2016 LightSquared announced a name change to Ligado Networks ('Ligado').

² Capital expenditure is stated using the accruals basis, including capitalised interest.

OPERATING REVIEW

Market

Market conditions generally continue to be difficult reflecting budgetary and competitive pressures. However, demand for satellite communications, especially for broadband applications, continues to grow strongly and we are encouraged by the medium and long term opportunities that this will provide.

In Maritime, the commercial shipping market remains in recession, with slow growth in global trade, over-capacity in the global merchant fleet and vessels being laid up or scrapped. The low price of oil is also dampening oil and gas offshore supply vessel activity. Connectivity nevertheless continues to be an increasingly important enabler of lower cost operations and competitive advantage, particularly as we enter the era of the “smart ship”.

Fiscal budgets and operational activity levels are key drivers of government expenditure on commercial satellite services. Both of these factors are continuing to exert downward pressure on satellite operators’ revenues and margins. The underlying demand for connectivity is nevertheless increasing and there are individual areas of growth in a generally adverse environment. This picture applies both in the military and civil areas of Government.

Within Enterprise, the global energy industry remains depressed but, as in the commercial shipping sector, connectivity is seen as an important driver of operational efficiency. The machine-to-machine (‘M2M’) market continues to grow providing sound long term opportunities for satellite operators.

Aviation remains a major growth market, with broadband connectivity - particularly into the cabins of commercial aircraft - expected to see strong growth over the coming years. This will be driven by the increasing number of aircraft in the sky, rapidly expanding demand for passenger connectivity and the need for more sophisticated operational and safety services in the cockpit. The combination of GX and the EAN is expected to provide Inmarsat with the global coverage, high bandwidth and price competitiveness necessary to compete effectively in this market.

Global Xpress Programme

Following global commercial service introduction (‘CSI’) at the end of 2015, we have continued to progress the commercialisation of GX services across each of our markets through 2016.

In Maritime, commercial installations of Fleet Xpress began in earnest, providing the high data speeds of GX with the seamless back up capability of our ultra-reliable FB L-band service. By the end of the quarter Fleet Xpress was installed on 117 vessels, with the pace of installation rising through both our direct and indirect channels. Marlink, a major channel partner, has now put in place the capability to offer Fleet Xpress globally through its worldwide network infrastructure and delivery platforms.

We continued to make good progress with our Aviation GX services. During July and August Inmarsat and Honeywell (our GX aviation terminal provider) successfully completed a global in flight service demonstration, logging 45,000 miles and 120 flight hours during which many prospective customers were able to test GX Aviation for themselves. The GX Aviation terminals for both commercial aviation and business and general aviation, have also continued to progress through final trials to airline line fit certification, with Honeywell’s JetWave GX aircraft terminal awarded final certification in Q3

In Government, the adoption of GX is also progressing, supported by the take or pay contract in place with our channel partners.

We continue to be encouraged by the level of customer interest in GX across diverse markets and geographies. Our medium term target for GX revenues remains unchanged at a run rate of \$500m pa by the end of 2020, the fifth anniversary of the global launch of GX services. This target does not include any revenues for the I-5 F4 satellite and is unaffected by the ongoing launch delay for I-5 F4.

Aviation Cabin Connectivity

We continue to make progress in delivering the transformational aviation cabin connectivity opportunity through both the GX platform and our unique European Aviation Network (‘EAN’).

After the quarter end, IAG, Air New Zealand, and another major European airline all confirmed that they would be using Inmarsat GX and / or EAN connectivity services. In addition, we are in advanced negotiations with a number of other major airlines and remain confident of advancing several current prospects into contract in the near term.

The launch of the S-band satellite is still expected in the first half of 2017. The launch is currently scheduled with SpaceX but other launch options are available should they be necessary to maintain schedule.

Deutsche Telekom has commenced build out of the EAN tower infrastructure with the first base station installations taking place in the South-East of England this quarter. We continue to expect the ground infrastructure to be ready, as planned, for network trials early in 2017.

The acquisition of licences from EU Member States and other European countries, necessary to deploy the EAN, is progressing as anticipated. We now have all 28 EU territory MSS authorisations and a further licence for one non-EU territory. In addition 21 countries have provided us with authorisations or in-principle approvals for the CGC component. We remain confident that delivery of pan European regulatory approvals for the EAN will be completed in time to support full commercial deployment to plan.

Other Developments

On August 4 Inmarsat confirmed the award of a material US Navy satellite services contract. The contract supports the US Navy's Commercial Broadband Satellite Program (CBSP) Satellite Services Contract (CSSC) with the single award consisting of a base one-year period with four one-year option periods through 2021.

On 14 September Inmarsat signed a Memorandum of Understanding with Beijing Marine Communication & Navigation Company (MCN) and Aviation Data Communication Corporation (ADCC) to provide both Classic Aero and next generation SwiftBroadband-Safety aviation safety services to Air Navigation Service Providers and Operators in the fast-growing Chinese market.

In October, Inmarsat signed MoU and Lol agreements appointing Rockwell Collins, SITAONAIR, Honeywell and SATCOM Direct as distribution partners for our next generation SwiftBroadband-Safety aviation safety services. The agreements significantly strengthen our channels to market in both commercial and business aviation cockpit and safety service markets.

On 20 October Inmarsat announced a roaming agreement with Vodafone to enable international satellite and cellular roaming connectivity for the Internet of Things ('IoT'). The agreement covers the use of Inmarsat's I-4 satellite network, providing ubiquitous global L-band coverage, and high network availability to Vodafone customers, even in extreme environmental conditions. While not material at this stage, the IoT and M2M opportunities are considered potentially major breakout opportunities for Inmarsat in the next decade.

In October our non-US Government business unit further strengthened its existing Canadian relationship via the signing of a CDN \$26+ million contract for the supply of satellite services to Shared Services Canada (SSC) and its clients. The new contract ensures the continued supply of L-band MSS services for all Canadian Government departments while also filling a large regional MSS/FSS technology gap through the introduction of the Global Xpress Ka-band portfolio. This new SSC contract will provide a host of new and existing Inmarsat based satellite services for a period of up to 5 years to SSC clients on land, in the air and at sea.

Refinancing

On 22 September the Group issued \$400 million of 6.5% senior notes due 2024. This exercise has strengthened our financial position, raising additional capital and extended the maturity of our debt.

FINANCIAL REVIEW

Consolidated Group Results – Third Quarter 2016

During the quarter ended 30 September 2016 Group revenues increased by \$18.8m (+5.8%) to \$341.9m (Q3 2015: \$323.1m) with growth in Aviation (+\$3.3m), Government (+\$7.6m) and Ligado income (+\$17.6m), partially offset by a weaker performance in Maritime (-\$7.4m) and Enterprise (-\$2.1m).

Total Group revenues in the quarter included wholesale MSS revenue of \$227.8m, +6.6% higher than in the same period last year (Q3 2015: \$213.7m) largely driven by growth in Government MSS revenue.

Net operating costs in the quarter decreased by \$5.0m (-3.5%) to \$137.7m (Q3 2015: \$142.7m) due to improved product mix and the benefits of favourable foreign exchange movements, particularly the weakness of Sterling, which more than offset the impact of increased investment in Aviation cabin connectivity capability.

EBITDA for the quarter ended 30 September 2016 increased by \$23.8m (+13.2%) to \$204.2m (Q3 2015: \$180.4m) and the Group's EBITDA margin increased to 59.9%, from 55.8%, reflecting the increase in revenue and decline in operating costs described above.

Maritime

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
Revenue	142.8	150.2	(4.9%)	432.5	447.3	(3.3%)
Operating costs	(30.0)	(34.1)	(12.0%)	(92.6)	(100.5)	(7.9%)
EBITDA	112.8	116.1	(2.8%)	339.9	346.8	(2.0%)
<i>EBITDA margin %</i>	<i>79.0%</i>	<i>77.3%</i>		<i>78.6%</i>	<i>77.5%</i>	
Capital expenditure¹	9.1	7.3	24.7%	32.8	19.5	68.2%

Maritime revenues decreased in Q3 by \$7.4m (-4.9%) against a strong Q3 last year. This reflects the continuing decline in our typically lower margin legacy products (-\$8.7m), continued growth in VSAT services (+\$2.1m) and slightly lower FleetBroadband ('FB') revenues (-\$0.8m). With combined revenues of \$118.1m, FB and VSAT generated 83% of Maritime revenues in the quarter (Q3 2015: 77%).

FB revenue fell by \$0.8m, or 0.8%, to \$92.9m, reflecting the migration of almost 600 ships from FB to VSAT² and a fall in the installed base to 41,354 ships (Q3 2015: 41,958). The fall in the FB installed base, reflects the removal of 232 non-billing SIMs and the ongoing market softness, particularly in smaller vessels, some of whom migrated to our new Fleet One entry level product. We saw 340 new Fleet One users in Q3, taking the Fleet One customer base to over 1,000 vessels. Overall ARPU² was little changed year on year at c. \$750 per month.

VSAT revenue (including XL and FX) grew by \$2.1m, or 9.1%, to \$25.2m, with the number of new installations rising by c. 110 to over 2,900 vessels, 26% up on last year (Q3 2015: 2,300). Growth was slower this quarter reflecting both a slow-down in XL installations as FX started to ramp up and an increase in the rate of deactivations. Within these overall totals, 45 ships were migrated from XL to FX, and 72 new FX installations were completed, bringing the total FX installations to 117 vessels. Total VSAT ARPU of around \$3,000 per month was 13% lower than Q3 2015, driven mainly by the renewal of old contracts at current prices, more ships being laid up (on reduced charges) and the start of a change in mix towards wholesale. Following the strategic wholesale deals announced at the start of the quarter with Marlink, SpeedCast and Navarino, we expect our position in this growing market segment to continue to strengthen, albeit with a consequently lower overall ARPU from the increased mix towards wholesale.

Fleet revenue continued to decline at a rate slightly faster than in recent quarters, falling by \$4.6m, or 57.7%, to \$3.4m in the third quarter of 2016. Revenue from our mainly legacy, and generally lower margin,

¹ The prior year comparative for the nine months ended 30 September has been restated from \$10.2m to \$19.5m due to a reclassification of \$9.3m of Q2 2015 mainly terminal inventory from Central Services to Maritime.

² FB is provided as an integral part of both XL and FX. In such circumstances, no FB revenues are reported, but the number of vessels is currently included in both the FB and VSAT vessel totals. Migration up from FB therefore adversely affects ARPU and FB revenue but not the number of FB vessels.

other Maritime products also continued to decline falling by \$4.1m, or 16.1%, to \$21.3m in the third quarter (the decline in the full year 2015 was 20.6%).

Operating costs for the quarter decreased by \$4.1m (-12.0%) reflecting lower direct and indirect costs, partly as a result of the weakness of Sterling versus the US Dollar and the impact of an internal reorganisation in July which has moved approximately \$1.4m of costs from Maritime into Central Services.

Maritime EBITDA consequently decreased by \$3.3m (+2.8%) compared with the same period in 2015, and the EBITDA margin improved to 79.0% from 77.3%.

Government

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
Revenue	84.8	77.2	9.8%	225.5	214.4	5.2%
Operating costs	(24.8)	(27.2)	(8.8%)	(64.3)	(72.2)	(10.9%)
EBITDA	60.0	50.0	20.0%	161.2	142.2	13.4%
<i>EBITDA margin %</i>	<i>70.8%</i>	<i>64.8%</i>		<i>71.5%</i>	<i>66.3%</i>	
Capital expenditure	0.4	0.1	300.0%	2.3	1.3	76.9%

Government revenues in the third quarter increased by \$7.6m, or +9.8%, to \$84.8m (Q3 2015: \$77.2m).

In the US, Government revenues grew by +14.6%, primarily due to the growth in GX related revenues under the Take or Pay agreement with our primary channel partner. Outside the US, Government revenues rose by +2.8% as we continue to benefit from higher operational tempo (which began in Q3 of 2015) generated by a small number of SwiftBroadband, FleetBroadband and BGAN terminals consuming large quantities of data whilst active in the field. Operating costs for the quarter decreased by \$2.4m, or -8.8%, to \$24.8m (Q3 2015: \$27.2m) mainly reflecting improved revenue mix in our US business.

Government EBITDA in the quarter increased by \$10.0m (+20.0%) to \$60.0m (Q3 2015: \$50.0m), reflecting the higher revenues and improved revenue mix. The EBITDA margin similarly increased to 70.8% (Q3 2015: 64.8%).

Enterprise

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
Revenue	37.6	39.7	(5.3%)	110.1	119.0	(7.5%)
Operating costs	(10.8)	(11.4)	(5.3%)	(29.3)	(38.1)	(23.1%)
EBITDA	26.8	28.3	(5.3%)	80.8	80.9	(0.1%)
<i>EBITDA margin %</i>	<i>71.3%</i>	<i>71.3%</i>		<i>73.4%</i>	<i>68.0%</i>	
Capital expenditure	–	0.1	(100.0%)	0.3	0.4	(25.0%)

Enterprise revenues fell by \$2.1m (-5.3%) to \$37.6m (Q3 2015: \$39.7m).

BGAN revenues were 27.4% lower reflecting weaker markets, particularly Oil and Gas. The overall number of terminals increased in this sector, but customers are optimising their price plans and usage profiles, resulting in lower revenues.

GSPS revenues, comprising both terminals and airtime, were 95.4% ahead of the prior year, which was heavily impacted by third-party manufacturing issues. Sequentially, GSPS revenues were 5% lower than the previous quarter due to delays in the fulfilment of bulk orders as a result of changes in the sourcing of certain components; these orders will now be fulfilled later in 2016 or early 2017.

FleetBroadband fixed to mobile revenues grew by \$0.2m following price rises in February 2016 despite underlying volume decreases as voice moves to VOIP. Machine-to-machine (M2M) revenue was in line with the prior year.

Q3 revenues in the prior year also benefitted from a one-off service upgrade supplied to a major customer.

Operating costs for the quarter decreased by \$0.6m, or 5.3%, to \$10.8m (Q3 2015: \$11.4m) with higher costs from the increased supply of GSPS terminals being more than offset by reductions in other direct costs.

Consequently, Enterprise EBITDA in the quarter was \$2.5m or 5.3% lower at \$26.8m (Q3 2015: \$28.3m) and the EBITDA margin was unchanged at 71.3% (Q3 2015: 71.3%).

Aviation

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
Revenue	35.9	32.6	10.1%	100.5	90.5	11.0%
Operating costs	(11.5)	(4.6)	150.0%	(30.9)	(14.2)	117.6%
EBITDA	24.4	28.0	(12.9%)	69.6	76.3	(8.8%)
<i>EBITDA margin %</i>	<i>68.0%</i>	<i>85.9%</i>		<i>69.3%</i>	<i>84.3%</i>	
Capital expenditure¹	37.4	15.7	138.2%	69.5	58.1	19.6%

Aviation revenue in the quarter grew by \$3.3m, or +10.1%, to \$35.9m (Q3 2015: \$32.6m).

SwiftBroadband revenues grew by +4.5%, with strong year on year growth in the number of installed aircraft (c. 7,900 in 2016, versus c. 6,900 in 2015) being dampened by the ongoing general market reduction in usage, particularly in Europe and the Middle East. As a result of this, and some take or pay contract breakage in Q3 2015, monthly ARPU declined to c. \$960 (Q3 2015: c \$1,100).

Classic Aero services revenues continued to grow strongly, driven by price increases in Q2 2016. Revenue grew by 29.9%, with the active base falling 3% to c. 7,400, principally as a result of the deactivation of low usage terminals) and monthly ARPU rising from c. \$350 last year to c. \$420 this quarter.

Operating costs increased by \$6.9m, or 150.0%, to \$11.5m (Q3 2015: \$4.6) due to increased headcount and other costs associated with the pursuit and delivery of the major growth opportunities in cabin connectivity. We will continue to invest in these areas in order to maximise significant longer-term growth opportunities and further cost increases are expected.

Aviation EBITDA in the quarter decreased by \$3.6m or -12.9% to \$28.0m (Q3 2015: \$28.0m) and the EBITDA margin in the quarter decreased to 68.0% (Q3 2015: 85.9%) due mainly to the increased business development costs.

¹All success-based capital expenditure is allocated to the business unit to which it relates. All major infrastructure project capital expenditure is currently reflected within Central Services, with the exception of the S-band project which is reported in the Aviation business unit. Q1 2016 and Q2 2016 S-band project capital expenditure was reported in Central Services (together totalling \$27.8m), but has been reclassified to the Aviation business unit and is now consistent with prior year comparatives. A revised quarterly analysis has been provided separately on our website.

Central Services

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
Revenue						
Ligado Networks	35.5	17.9	98.3%	88.9	52.9	68.1%
Other	5.3	5.5	(3.6%)	13.4	15.2	(11.8%)
Total revenue	40.8	23.4	74.4%	102.3	68.1	50.2%
Operating costs	(60.9)	(65.6)	(7.6%)	(181.5)	(191.4)	(5.2%)
EBITDA	(20.1)	(42.2)	(53.1%)	(79.2)	(123.3)	(35.8%)
Capital expenditure¹	40.5	48.7	(16.8%)	157.9	248.3	(36.4%)

Revenue from Ligado Networks in the quarter increased by \$17.6m, or +98.3%, to \$35.5m reflecting the impact of the exercise of the 30MHz option by Ligado. In the third quarter Inmarsat recognised \$3.7m of the Ligado deferred revenue to reflect the economic cost of the revenue deferral arising under the revised transition agreement. Ligado exercised its option under the Cooperation Agreement in March 2016. Full details of that exercise are set out in the interim results announcement. There have been no other developments in respect of this agreement in the quarter. At 30 September 2016 we continue to hold \$201.5m of deferred revenue on the balance sheet in respect of the expected costs of implementation of this agreement.

Operating costs decreased by \$5.0m, or -7.6%, to \$60.6m (Q3 2015: \$65.6m) reflecting the significant proportion of our cost base denominated in Sterling, resulting in a lower dollar value for these costs, but also the additional operating costs of the new GX ground infrastructure and the effects of the internal reorganisation which moved \$1.4m of costs from the Maritime business unit to the centre.

Reconciliation of EBITDA to profit after tax

(\$ in millions)	Three months ended 30 September			Nine months ended 30 September		
	2016	2015	Change	2016	2015	Change
EBITDA	204.2	180.4	13.2%	572.3	523.1	9.4%
Depreciation and amortisation	(87.7)	(75.2)	16.6%	(262.3)	(226.1)	16.0%
Other	1.2	0.6	100%	1.3	11.0	(88.2%)
Operating profit	117.7	105.8	11.2%	311.3	308.0	1.1%
Net financing costs	(16.4)	(14.6)	12.3%	(47.4)	(37.6)	26.1%
Taxation Charge	(6.1)	(23.5)	(74.0%)	(39.8)	(60.6)	(34.3%)
Profit for the period	95.2	67.7	40.6%	224.1	209.8	6.8%

Operating profit

Depreciation and amortisation for the quarter ended 30 September 2016 increased by \$12.5m to \$87.7m as the I-5 satellites entered commercial service at the end of 2015. The prior period 'other balance' relates primarily to the gain on disposal of the SkyWave investment.

As a result of the factors discussed above, operating profit for the quarter ended 30 September 2016 was \$117.7m, an increase of \$11.9m (+11.2%), compared with the same period in 2015.

¹ All success-based capital expenditure is allocated to the business unit to which it relates. All major infrastructure project capital expenditure is currently reflected within Central Services, with the exception of the S-band project which is reported in the Aviation business unit. Q1 2016 and Q2 2016 S-band project capital expenditure was reported in Central Services, but has been reclassified to the Aviation business unit and is now consistent with prior year comparatives. The prior year comparative for the nine months ended 30 September has been restated from \$257.6m to \$248.3m due to a reclassification of \$9.3m of Q2 2015 inventory from Central Services to Maritime. A revised quarterly analysis has been provided separately on our website.

Net financing cost

Net financing costs for the quarter ended 30 September 2016 increased by \$1.8m to \$16.4m (Q3 2015 \$14.6m). The increase was due to interest of \$0.7m on the new Senior Note due 2024.

Taxation

The tax charge for third quarter of 2016 was \$6.1m, which compared with a tax charge of \$23.5m for the same period of 2015. This difference is driven by a combination of a reduction in the effective tax rate and a credit of \$12.2m arising on the revaluation of the Group's deferred tax liabilities, arising as a result of the reduction in the UK corporation tax rate from 18% to 17% in 2020, which was substantively enacted this quarter.

If the effects of the deferred tax and other less material adjustment are removed, the effective tax rate for the quarter was 18.4% (Q3 2015: 22.2%), compared to an average statutory rate for the UK for 2016 of 20% (2015: 20.25%). The difference for the quarter from the prior year largely arises due to a variance in the levels of profitability in jurisdictions where the statutory tax rate is different to the UK.

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 that the Group would incur a cash tax outflow of approximately \$90m over 2017 and 2018. The enquiries remain ongoing at this time.

Cash Flow

(\$ in millions)	Three months ended		Nine months ended	
	30 September	2015	30 September	2015
EBITDA	204.2	180.4	572.3	523.1
Non-cash items	5.2	4.2	9.8	12.0
Change in working capital	(34.9)	20.1	12.5	32.8
Cash generated from operations	174.5	204.7	594.6	567.9
Capital expenditure	(99.9)	(75.0)	(239.0)	(315.8)
Net interest paid	(16.3)	(10.8)	(54.8)	(47.2)
Tax (paid)/refunded	(7.6)	(5.9)	(29.2)	4.8
Free cash flow	50.7	113.0	246.6	209.7
Proceeds on disposal of assets	–	–	–	32.9
Dividends paid to shareholders	–	–	(144.0)	(136.0)
Other movement including foreign exchange	1.6	0.3	1.1	1.7
Net cash flow	52.3	113.3	128.7	108.3
Increase/(decrease) in cash from borrowings	622.0	(34.9)	555.6	(41.9)
Decrease in cash from transfer to short-term deposits with maturity >3 months	(395.0)	–	(395.0)	–
Net increase in cash and cash equivalents	279.3	78.4	289.3	66.4
Opening net borrowings	1,680.3	1,605.4	1,735.4	1598.0
Net cash flow	(52.3)	(113.3)	(128.7)	(108.3)
Non-cash movements ¹	(20.6)	2.1	0.7	4.5
Closing net borrowings	1,607.4	1,494.2	1,607.4	1,494.2

During the quarter ended 30 September 2016, free cash flow decreased by \$62.3m to \$50.7m (Q3 2015: \$113.0m) driven primarily by \$24.9m higher capital expenditure (see below) and \$30.2m less cash generated from operations. Despite the \$23.8m increase in EBITDA, cash generated from operations was lower than the prior period mainly as a result of the timing of revenues across the quarter and an increase in the level of inventory due to bulk inventory purchasing to take advantage of favourable pricing.

¹ Includes the impact of deferred financing costs.

Capital Expenditure

Major infrastructure expenditure in the quarter related primarily to the GX, I-6 and S-band satellite infrastructure. Success based expenditure was increased by \$15.5m, mainly as a result of the commencement of installation of equipment on aircraft associated with the rollout of GX for Aviation.

(\$ in millions)	Three months ended		Nine months ended	
	30 September 2016	2015	30 September 2016	2015
Major infrastructure projects ¹	39.6	36.6	139.8	225.2
Success-based capex ¹	22.5	7.0	45.6	17.8
Other capex (e.g. maintenance, product development) ¹	17.6	22.1	51.8	55.1
Cash flow timing ²	20.2	9.3	1.8	17.7
Total cash capital expenditure	99.9	75.0	239.0	315.8

'Major infrastructure projects' capex consists of satellite design, build and launch costs and ground network infrastructure costs. Third quarter 2016 expenditure in this category principally comprised the I-5 and S-band satellites.

'Success-based capex' consists of capital equipment installed on ships, aircraft and other customer platforms. This expenditure ties closely to near term new revenues. During the third quarter of 2016 this principally related to expenditure on installed Maritime and Aviation customer equipment.

'Other capex' investments consist primarily of infrastructure maintenance, IT and capitalised product and service development costs.

Group Liquidity and Capital Resources

On 22 September 2016, the Group issued \$400m of 6.5% senior notes due 2024 at an issue price of 100%.

Following the issue of the new security, at 30 September 2016, the Group had total available liquid resources of \$1,436.3m in the form of cash and cash equivalents of \$462.4m, short term deposits with maturity of greater than 3 months of \$395.0m and available but undrawn borrowing facilities of \$578.9m under our Senior Credit Facility and the 2014 Ex-Im Bank Facility.

On 31 October, the Group applied \$107m of these funds to repay the EIB loan facility.

¹ Capital expenditure is shown on an accrual basis, excluding capitalised interest.

² Cash flow timing represents the difference between accrued capex and the actual cash flows.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces a number of risks and uncertainties that may adversely affect our business, operations, liquidity, financial position or future performance, not all of which are wholly within our control. Although many of the risks and uncertainties influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

Our principal risks and uncertainties, which have been subject to robust assessment and review, are discussed below; however this summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting our business and they are not listed in any order of priority. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely. In accordance with the provisions of the UK Corporate Governance Code 2014, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability Statement. The Going Concern and Viability Statements can be found in the 2015 Annual Report.

Satellites and our network

We face risks when we launch our satellites and while they are in operation. There are only a few companies who provide service to build and launch satellites and if they encounter problems with their launches being delayed or not successful, our launch may be delayed or fail. Our network may not be able to cope with the demand from users.

Next generation services

We may fail to correctly assess our market, technological changes, customer requirements and competitors' strategy and to exploit market opportunities and to make effective changes to our go-to-market strategies to respond to the changing market situation. We may develop next generation services that will not meet these market opportunities, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment.

Spectrum

We rely on radio spectrum, which has historically been allocated without charge, to provide our services. We must agree how it is used in coordination with other satellite operators. We may not be able to coordinate usage in the future and/or may be charged for the spectrum which could affect our ability to provide services.

Cyber security

Our satellites, networks, systems and processes may be vulnerable to security risks from unauthorised access, computer viruses, denial of services and other security attacks. Our customers may not use our services if we cannot demonstrate that our services are reliable and meet certain cyber security requirements.

Critical customers

We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities.

Critical suppliers

We rely on a limited number of third party suppliers and partners for the production and launch of our satellites, and for our systems, terminals and other products and we may have limited control over their availability, quality and delivery.

RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions described on page 130 of the 2015 Inmarsat plc Annual Report and Accounts.

Inmarsat plc
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce
Chief Executive Officer
3 November 2016

Tony Bates
Chief Financial Officer
3 November 2016

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

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Revenues	341.9	323.1	970.9	939.3
Employee benefit costs	(65.0)	(69.6)	(194.1)	(199.0)
Network and satellite operations costs	(42.6)	(43.9)	(127.4)	(136.4)
Other operating costs	(40.8)	(39.0)	(108.4)	(109.6)
Own work capitalised	10.7	9.8	31.3	28.8
Total net operating costs	(137.7)	(142.7)	(398.6)	(416.2)
EBITDA	204.2	180.4	572.3	523.1
Depreciation and amortisation	(87.7)	(75.2)	(262.3)	(226.1)
Gain on disposal of assets	0.5	-	0.5	9.3
Impairment losses	-	(0.1)	(1.2)	(0.1)
Share of profit of associates	0.7	0.7	2.0	1.8
Operating profit	117.7	105.8	311.3	308.0
Financing income	0.2	0.3	1.9	1.7
Financing costs	(16.6)	(14.9)	(49.3)	(39.3)
Net financing costs	(16.4)	(14.6)	(47.4)	(37.6)
Profit before tax	101.3	91.2	263.9	270.4
Taxation	(6.1)	(23.5)	(39.8)	(60.6)
Profit for the period	95.2	67.7	224.1	209.8
Attributable to:				
Equity holders	95.1	67.5	223.7	209.4
Non-controlling interest	0.1	0.2	0.4	0.4

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

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit for the period	95.2	67.7	224.1	209.8
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to the Income Statement:				
Gain on measurement of available-for-sale financial asset	–	–	–	(9.4)
Foreign exchange translation differences	0.2	0.1	0.2	–
Net (loss)/gains on cash flow hedges	(4.3)	(1.0)	(16.4)	1.1
Tax credited directly to equity	–	0.1	–	1.1
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	(0.6)	–	2.4	(0.6)
Tax credited directly to equity	(0.6)	–	(1.2)	0.1
Other comprehensive income/(loss) for the period, net of tax	(5.3)	(0.8)	(15.0)	(7.7)
Total comprehensive income for the period, net of tax	89.9	66.9	209.1	202.1
Attributable to:				
Equity holders	89.8	66.7	208.7	201.7
Non-controlling interest	0.1	0.2	0.4	0.4

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(\$ in millions)	As at 30 September 2016 (unaudited)	As at 31 December 2015 (audited)	As at 30 September 2015 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	2,860.2	2,860.2	2,762.8
Intangible assets	775.9	772.0	788.8
Investments	13.1	12.1	11.7
Other receivables	21.1	23.4	21.9
Deferred tax asset	44.1	44.6	40.4
Derivative financial instruments	0.2	–	–
	3,714.6	3,712.3	3,625.6
Current assets			
Cash and cash equivalents	462.4	175.5	270.5
Short term deposits	395.0	–	–
Trade and other receivables	312.7	342.3	300.7
Inventories	31.4	25.0	33.4
Current tax assets	6.0	3.8	7.5
Derivative financial instruments	1.1	–	0.2
Restricted cash	2.3	3.0	3.0
	1,210.9	549.6	615.3
Total assets	4,925.5	4,261.9	4,240.9
Liabilities			
Current liabilities			
Borrowings	246.8	207.2	118.6
Trade and other payables	482.9	459.7	579.0
Provisions	1.2	1.8	4.4
Current tax liabilities	135.9	128.3	111.6
Derivative financial instruments	2.6	0.3	1.9
	869.4	797.3	815.5
Non-current liabilities			
Borrowings	2,218.0	1,703.7	1,646.1
Other payables	41.0	42.9	24.8
Provisions	2.9	2.5	21.8
Deferred tax liabilities	203.5	198.3	226.6
Derivative financial instruments	14.1	–	–
	2,479.5	1,947.4	1,919.3
Total liabilities	3,348.9	2,744.7	2,734.8
Net assets	1,576.6	1,517.2	1,506.1
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	402.6	409.8	407.9
Retained earnings	495.8	429.0	420.0
Equity attributable to shareholders	1,576.2	1,516.6	1,505.7
Non-controlling interest	0.4	0.6	0.4
Total equity	1,576.6	1,517.2	1,506.1

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

(\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital contribution reserves	Retained earnings	Non- controlling interest	Total
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	–	–	8.9	–	–	–	–	0.8	–	9.7
Dividends paid	–	–	–	–	–	–	–	(136.0)	(0.5)	(136.5)
Comprehensive Income:										
Profit for the year	–	–	–	–	–	–	–	209.4	0.4	209.8
Other comprehensive loss – before tax	–	–	–	1.1	(9.4)	–	–	(0.6)	–	(8.9)
Other comprehensive loss – tax	–	–	–	(0.3)	1.4	–	–	0.1	–	1.2
Balance at 30 September 2015 (unaudited)	0.4	677.4	80.7	(0.8)	0.6	(0.4)	327.8	420.0	0.4	1,506.1
Balance at 1 January 2016 (audited)	0.4	677.4	81.6	0.9	0.6	(1.1)	327.8	429.0	0.6	1,517.2
Share options charge	–	–	9.0	–	–	–	–	0.2	–	9.2
Dividends Paid	–	–	–	–	–	–	–	(158.3)	(0.6)	(158.9)
Comprehensive Income:										
Profit for the year	–	–	–	–	–	–	–	223.7	0.4	224.1
Other comprehensive loss – before tax	–	–	–	(16.4)	–	0.2	–	2.4	–	(13.8)
Other comprehensive loss – tax	–	–	–	–	–	–	–	(1.2)	–	(1.2)
Balance at 30 September 2016 (unaudited)	0.4	677.4	90.6	(15.5)	0.6	(0.9)	327.8	495.8	0.4	1,576.6

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

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Cash flow from operating activities				
Cash generated from operations	174.5	204.7	594.6	567.9
Interest received	–	0.2	0.6	1.1
Tax (paid)/refunded	(7.6)	(5.9)	(29.2)	4.8
Net cash inflow from operating activities	166.8	199.0	566.0	573.8
Cash flow from investing activities				
Purchase of property, plant and equipment	(47.3)	(63.2)	(165.8)	(273.1)
Additions to capitalised development costs and other intangibles	(41.9)	(2.5)	(41.9)	(12.9)
Own work capitalised	(10.7)	(9.3)	(31.3)	(29.8)
Proceeds on disposal of assets	–	–	–	(32.9)
Short-term cash deposits >3 months	(395.0)	–	(395.0)	–
Net cash used in investing activities	(494.9)	(75.0)	(634.0)	(282.9)
Cash flow from financing activities				
Dividends paid	–	–	(144.0)	(136.0)
Repayment of borrowings	(40.4)	(34.7)	(106.5)	(85.2)
Proceeds from issue of Senior Notes due 2024	672.7	–	672.7	46.8
Interest paid	(16.3)	(11.0)	(55.4)	(48.3)
Arrangement costs of financing	(10.3)	(0.2)	(10.6)	(3.5)
Other financing activities	2.3	0.4	1.3	1.3
Net cash used in financing activities	608.0	(45.5)	357.5	(224.9)
Foreign exchange adjustment	(0.7)	(0.1)	(0.2)	0.4
Net increase/(decrease) in cash and cash equivalents	279.3	78.4	289.3	66.4
Cash and cash equivalents				
At beginning of the period	182.9	190.7	172.9	202.7
Net increase/(decrease) in cash and cash equivalents	279.3	78.4	289.3	66.4
At end of the period (net of bank overdrafts)	462.2	269.1	462.2	269.1
Comprising:				
Cash at bank and in hand	31.6	49.7	31.6	49.7
Short-term deposits with original maturity of less than three months	430.8	220.8	430.8	220.8
Bank overdrafts	(0.2)	(1.4)	(0.2)	(1.4)
Cash and cash equivalents at end of the period	462.2	269.1	462.2	269.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General Information

Inmarsat plc ('the Company' or, together with its subsidiaries, 'the Group') is a company incorporated in the United Kingdom and domiciled in England and Wales.

These condensed consolidated interim financial statements for the nine months ended 30 September 2016 were approved by the Board of Directors on 3 November 2016.

The financial information presented in this release does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 3 March 2016 and 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 and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Principal accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the nine months ended 30 September 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and are available on our website at www.inmarsat.com. The accounting policies applied in the condensed consolidated interim financial statements are consistent with those in the Group's Annual Report and Accounts for the year ended 31 December 2015. There are no new IFRS or IFRIC interpretations that are effective for this financial year that have had a material impact on the Group.

Going Concern

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all banking covenants. Because of this and the relatively stable overall 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 plc continues to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Basis of accounting

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

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

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker to allocate resources and assess the performance of the Group. The Group's operating 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 include satellite operations and backbone infrastructure, corporate administrative costs, and any income that is not directly attributable to a business unit. 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, Government, Enterprise, Aviation and Central Services.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results are assessed at the EBITDA level without the allocation of central costs, depreciation, net financing costs and taxation.

(\$ in millions)	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Revenues				
Maritime	142.8	150.2	432.5	447.3
Government	84.8	77.2	225.5	214.4
Enterprise	37.6	39.7	110.1	119.0
Aviation	35.9	32.6	100.5	90.5
Central Services ¹	40.8	23.4	102.3	68.1
Total segment revenues	341.9	323.1	970.9	939.3
EBITDA				
Maritime	112.8	116.1	339.9	346.8
Government	60.0	50.0	161.2	142.2
Enterprise	26.8	28.3	80.8	80.9
Aviation	24.4	28.0	69.6	76.3
Central Services	(19.8)	(42.0)	(79.2)	(123.1)
Total segment EBITDA	204.2	180.4	572.3	523.1
Depreciation and amortisation	(87.7)	(75.2)	(262.3)	(226.1)
Other	1.2	0.6	1.3	11.0
Operating profit	117.7	(105.8)	311.3	308.0
Net financing costs	(16.4)	(14.6)	(47.4)	(37.6)
Profit before tax	101.3	91.2	263.9	270.4
Taxation charge	(6.1)	(23.5)	(39.8)	(60.6)
Profit for the period	95.2	67.7	224.1	209.8
Capital expenditure²				
Maritime ³	9.1	7.3	32.8	19.5
Government	0.4	0.1	2.3	1.3
Enterprise	–	0.1	0.3	0.4
Aviation ⁴	37.4	15.7	69.5	58.1
Central Services ³	40.5	48.7	157.9	248.3
Total capital expenditure	87.4	71.9	262.8	327.6

¹ Central services includes revenue and EBITDA from Ligado. In addition it includes central assets and related costs, such as satellites and other ground infrastructure.

² Capital expenditure is stated using the accruals basis.

³ The prior year comparative for the nine months ended 30 September was restated due to a reclassification of \$9.3m of mainly terminal inventory from Central BU to Maritime BU.

⁴ All success-based capital expenditure is allocated to the business unit to which it relates. All major infrastructure project capital expenditure is currently reflected within Central Services, with the exception of the S-band project which is reported in the Aviation business unit. Q1 2016 and Q2 2016 S-band project capital expenditure was reported in Central Services (together totalling \$27.8m), but has been reclassified to the Aviation business unit and is now consistent with prior year comparatives. A revised quarterly analysis has been provided separately on our website.

4. Net financing costs

(\$ in millions)	Three months ended		Nine months ended	
	30 September 2016	2015	30 September 2016	2015
Bank interest receivable and other interest	(0.2)	(0.2)	(1.9)	(1.4)
Net interest on the net pension asset and post-employment liability	–	(0.1)	–	(0.3)
Total financing income	(0.2)	(0.3)	(1.9)	(1.7)
Interest on Senior Notes and credit facilities	21.0	18.0	61.2	56.1
Amortisation of debt issue costs	1.9	1.6	5.4	6.3
Unwinding of discount on deferred satellite liabilities	–	0.2	0.4	0.7
Amortisation of discount on Senior Notes due 2022	0.3	0.3	0.8	0.9
Net interest on the net pension asset and post-employment liability	–	–	0.2	–
Other interest	0.2	1.0	0.2	4.8
Financing costs	23.4	21.1	68.2	68.8
Less: Amounts capitalised in the cost of qualifying assets	(6.8)	(6.2)	(18.9)	(29.5)
Total financing costs	16.6	14.9	49.3	39.3
Net financing costs	16.4	14.6	47.4	37.6

5. Net Borrowings

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

(\$ in millions)	At 30 September 2016			At 31 December 2015		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	0.2	–	0.2	2.6	–	2.6
Deferred satellite payments	3.6	–	3.6	1.8	–	1.8
EIB Facility	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities	99.5	–	99.5	80.9	–	80.9
Intercompany loan	99.4	–	99.4	77.8	–	77.8
Total current borrowings	246.8	–	246.8	207.2	–	207.2
Non-current:						
Deferred satellite payments	9.1	–	9.1	14.5	–	14.5
Senior Notes due 2022	1,000.0	(6.4)	993.6	1,000.0	(7.3)	992.7
– Net issuance discount	(5.7)	–	(5.7)	(6.5)	–	(6.5)
Senior Notes 2024	400.0	(5.9)	394.1	–	–	–
EIB Facility	62.4	(0.2)	62.2	88.1	(0.4)	87.7
Ex-Im Bank Facilities	533.9	(20.3)	513.6	633.3	(18.0)	615.3
Intercompany loan	251.1	–	251.1	–	–	–
Total non-current borrowings	2,250.8	(32.8)	2,218.0	1,729.4	(25.7)	1,703.7
Total Borrowings	2,497.6	(32.8)	2,464.8	1,936.6	(25.7)	1,910.9
Cash and cash equivalents	(462.4)	–	(462.4)	(175.5)	–	(175.5)
Short term borrowings	(395.0)	–	(395.0)	–	–	–
Net Borrowings	1,640.2	(32.8)	1,607.4	1,761.1	(25.7)	1,735.4

EIB Facility

In 2010, the Group signed an 8-year facility agreement with the European Investment Bank (the 'EIB Facility'). On 31 October 2016, the Group fully repaid this facility.

Ex-Im Bank Facilities

The Group has two direct financing agreements with the Export-Import Bank (the 'Ex-Im Bank Facilities') of the United States. The \$700.0m facility signed in 2011 was available to be drawn down for four years and is now repayable in equal semi-annual instalments over a further 8.5 years. Drawings under this facility incur interest at a fixed rate of 3.11% for the life of the loan. In November 2014, the Group signed a seven year \$185.9m facility which has a total availability period of two years and will then be repayable in equal semi-annual instalments over a further five years. Drawings under this facility incur interest at a fixed rate of 1.96% for the life of the loan.

Senior Notes

On 4 June 2014, the Group issued \$1.0bn of 4.875% Senior Notes due 15 May 2022. The aggregate gross proceeds were \$992.1m, net of \$7.9m issuance discount. On 22 September 2016, the Group issued \$400m of 6.5% Senior Notes due 2024 at on issue price of 100%.

Senior Credit Facility

On 22 May 2015, the Group signed a five-year \$500.5m 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 0.7% and 1.7% determined by reference to the ratio of net debt to EBITDA. At 30 September 2016, there were no drawings under the Senior Credit Facility.

6. Fair value of financial instruments

The Group's derivative financial instruments consist of forward foreign currency contracts which are primarily designated as cash flow hedges. The Group has no financial instruments with fair values 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.

The fair values at the Balance Sheet date were:

(\$ in millions)	At 30 September 2016	At 31 December 2015
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.3	0.2
	1.3	0.2
Financial liabilities:		
Forward foreign currency contracts- designated cash flow hedges	16.7	1.8
Forward foreign currency contracts – undesignated	–	0.1
	16.7	1.9
Net financial liability	15.4	1.7

The fair values 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 value of non-derivative financial assets and liabilities approximately equal to their fair values:

(\$ in millions)	At 30 September 2016		At 31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	955.0	1,000.0	996.3
Senior Notes due 2024	400.0	401.0	–	–
Ex-Im Bank Facilities	633.4	650.7	714.2	741.4

7. Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position. There have been no material changes to the Group's contingent liabilities from those reported in the financial statements for the year ended 31 December 2015.