



## **Inmarsat plc reports Interim Results 2014**

### **Inmarsat on track for 2014, sees start of Global Xpress, announces EU aviation services**

London, UK: 5 August 2014. Inmarsat plc (LSE: ISAT.L), the leading provider of global mobile satellite communications services, today provided the following information for the half year ended 30 June 2014.

#### **Financial Highlights**

- Total revenues \$652.3m, up 1.9% (2013: \$640.3m)
- Inmarsat Global Wholesale MSS revenues \$387.6m, up 1.9% (2013: \$380.5m)
- Adjusted<sup>1</sup> total revenues \$605.2m (2013: \$635.2m)
- EBITDA \$369.7m, up 12.3% (2013: \$329.2m)
- Adjusted<sup>1</sup> EBITDA \$322.8m (2013: \$327.2m)
- Profit before tax \$168.3m (2013: \$185.5m)
- Interim dividend of 18.68 cents, up 5%
- Issue of \$1 billion 4.875% Senior Notes due 2022

#### **Operational Highlights**

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

#### **Inmarsat Group Limited – results for the Second Quarter**

- Total revenues \$307.6m (2013: \$326.6m)
- Inmarsat Global MSS revenues \$196.1m (2013: \$195.9m)
- EBITDA \$159.9m (2013: \$174.0m)

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

<sup>1</sup> "Adjusted" as applied to total revenue and EBITDA, excludes the relevant contribution from our Cooperation Agreement with LightSquared (see page 4).

satellites is likely to be delayed but we nevertheless remain very confident of the medium-term growth opportunities for the company."

## **Outlook**

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

## **Results Conference Call**

Inmarsat management will discuss the second quarter results and other financial and business information in a conference call on Tuesday 5 August 2014 at 0800 hrs London time. To access the call please dial +44(0)20 3427 1916. The conference id for the call is 9365506. The call will be recorded and available for one week after the event. To access the recording, please dial +44(0)20 3427 0598 and enter the access code 9365506#.

A copy of this interim announcement for the half year ended 30 June 2014 can be found on our website at [www.inmarsat.com](http://www.inmarsat.com).

## **Forward-looking Statements**

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

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## **OPERATING AND FINANCIAL REVIEW**

*The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat plc (the "Company" or together with its subsidiaries, the "Group") for the half year ended 30 June 2014. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.*

### **OPERATING REVIEW**

#### ***Global Xpress Programme Update***

The first Inmarsat-5 satellite was successfully launched in December 2013 and, following extensive satellite and end-user tests, entered commercial service beginning with US Government customers on 1 July 2014. The Inmarsat-5 F2 and F3 satellites have also been completed and both spacecraft are ready for shipment to the launch site. The Inmarsat-5 F2 and F3 satellites are committed to be launched on a Proton launch vehicle, a Russian-built rocket, from the Baikonur Cosmodrome in Kazakhstan, a facility which is leased and operated by the Russian Federation.

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

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

#### ***European Aviation Network Programme***

On 5 June 2014, we announced our decision to deploy an integrated telecommunications network to deliver aviation passenger connectivity services on an EU-wide basis. To achieve this ambition we confirmed the order of a new S-band satellite payload, called Europasat, and we expect to complement this with a fully-integrated air-to-ground network across the EU. Inmarsat's aviation network will deliver high speed broadband services to commercial and business aviation passengers. These capabilities will be offered alongside Inmarsat's Global Xpress aviation services in Europe.

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

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

## **OPERATING AND FINANCIAL REVIEW (continued)**

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

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

In December 2007, we entered into a Cooperation Agreement with LightSquared designed to enable ancillary terrestrial component (“ATC”) services in North America, while protecting the continued deployment and growth of our own MSS business. In May 2012, LightSquared filed for a reorganisation under Chapter 11 of the United States Bankruptcy Code and is yet to complete a reorganisation process; therefore, payments from LightSquared continue to be subject to significant uncertainty.

On 31 March 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement and in connection with this election notice a payment of \$5.0m was received from LightSquared and recognised as revenue in the half year ended 30 June 2014. On 2 July 2014, we announced that a \$9.1m payment due from LightSquared under the terms of the Cooperation Agreement had not been received and as a result we issued a default notice to LightSquared. At present, no revenue has been recognised in respect of this payment due from LightSquared, due to the uncertainty of receiving the payment.

In the half year ended 30 June 2014, the Group recognised \$47.1m (half year ended 30 June 2013: \$5.1m) of revenue and \$0.2m (half year ended 30 June 2013: \$3.1m) of costs in relation to the LightSquared Cooperation Agreement. Included within the total revenue recognised in the half year ended 30 June 2014 is \$38.8m of previously deferred income which has been recognised as a result of the downward revision in the total anticipated costs and due to the satisfaction of a specific performance obligation under the Cooperation Agreement. As at 30 June 2014, we had deferred income remaining in relation to the Cooperation Agreement of \$210.5m recorded on our balance sheet.

### ***Sale of assets to RigNet***

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

It is estimated that the retail energy business disposed of to RigNet contributed \$72.6m of revenue and \$3.8m of EBITDA<sup>1</sup> to the Group during the year ended 31 December 2013.

### ***Acquisition of Globe Wireless***

Effective from 1 January 2014, we acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC (“Globe Wireless”) for a total consideration of approximately \$45m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market and its operations have been integrated within our Commercial Maritime business unit.

<sup>1</sup> EBITDA” is defined as profit before finance income and expenses, taxation, depreciation and amortisation, losses on disposal of assets, impairment losses and share of profit of associates. EBITDA is not a measurement of our financial performance under IFRS.

## **OPERATING AND FINANCIAL REVIEW (continued)**

On a stand-alone basis, since acquisition date Globe Wireless has contributed \$41.5m of revenue and profit after tax of \$0.6m. However, as Globe Wireless was previously a customer, incremental revenues for the Group are lower than the stand-alone results.

### ***New Inmarsat Services***

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

- The launch of our next generation satellite phone, the IsatPhone 2, in March 2014. The IsatPhone 2 has the longest battery life and is the most rugged of any handheld satellite phone on the market and includes a range of updated emergency and tracking features;
- The launch of Fleet One in May 2014, a new voice and data satellite service designed specifically for the maritime leisure and fishing community;
- A proposal made to the International Civil Aviation Organization in May 2014 for a free global airline tracking service over the Inmarsat network, as part of the anticipated adoption of further aviation safety measures following the loss of flight MH370;
- The launch of L-TAC VHF for civil governments. This new service which was launched in June 2014 will extend the range and capabilities of VHF radios used by the emergency services and enable full interoperability between civilian and defence force radios; and
- The signing of a contract with Hughes Network Systems, LLC to manufacture a new Low Profile BGAN terminal, which will equip police forces and other government departments around the world with a discreet communications terminal.

### ***Refinancing***

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

### ***Dividends***

A final dividend of 28.82 cents per ordinary share (total dividend \$129.1m) for the 2013 financial year as recommended by the Directors was approved at the Annual General Meeting and paid to shareholders on 30 May 2014.

The Board intends to declare and pay an interim dividend for the 2014 financial year of 18.68 cents per ordinary share on 24 October 2014 to ordinary shareholders on the share register at the close of business on 3 October 2014. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. This dividend has not been recognised as a liability as at 30 June 2014.

### ***Change in Reporting Segments***

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

## **OPERATING AND FINANCIAL REVIEW (continued)**

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

### **Other Information**

While Inmarsat plc is the ultimate parent company of our group, our subsidiary Inmarsat Group Limited is required by the terms of our Senior Notes to report consolidated financial results on a quarterly basis. A copy of the resulting financial report for Inmarsat Group Limited is available via the investor relations section of our website.

With effect from 1 July 2014, Inmarsat plc expects to provide quarterly financial reporting consistent with that currently provided by Inmarsat Group Limited. The first such report will be provided for the three months ending 30 September 2014.

## OPERATING AND FINANCIAL REVIEW (continued)

### FINANCIAL REVIEW

#### Inmarsat plc Results

During the half year ended 30 June 2014, Group revenue increased by \$12.0m, or 1.9%, compared with the half year ended 30 June 2013, with strong growth in Maritime and Aviation, but also a continuing slowdown in Government expenditure. Revenues also reflect a \$42.0m increase in respect of our LightSquared Cooperation Agreement, additional revenues following our acquisition of Globe Wireless and the disposal of the majority of our retail energy business to RigNet. Included in the above is an increase in Inmarsat Global Wholesale MSS revenues of \$7.1m, or 1.9%.

Net operating costs decreased by \$28.5m during the half year ended 30 June 2014, compared with the half year ended 30 June 2013. This is due to the sale of the retail energy business, reduced operating costs due to a workforce reduction implemented in the US Government business during 2013 and lower costs of goods and services as a result of lower equipment sales. The decrease in net operating costs has been partially offset by increased costs as a result of the acquisition of Globe Wireless and an increase in operating costs in our Inmarsat Global segment.

As a consequence, EBITDA has increased by \$40.5m, or 12.3%, to \$369.7m for the half year ended 30 June 2014 and EBITDA margin has increased to 56.7% for the half year ended 30 June 2014, compared with 51.4% for the half year ended 30 June 2013.

#### **Inmarsat plc revenue by segment:**

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year</b>	<b>Increase/ (decrease)</b>
Inmarsat Global:			
Wholesale MSS <sup>1</sup> :			
Maritime	223.3	215.3	3.7%
Land mobile	60.8	65.9	(7.7%)
Aviation	65.6	55.9	17.4%
Leasing	37.9	43.4	(12.7%)
Wholesale MSS	387.6	380.5	1.9%
LightSquared	47.1	5.1	823.5%
Other	17.2	18.3	(6.0%)
<b>Total Inmarsat Global</b>	<b>451.9</b>	<b>403.9</b>	<b>11.9%</b>
Inmarsat Solutions:			
Inmarsat MSS	214.0	193.0	10.9%
Broadband and Other MSS	166.9	191.6	(12.9%)
<b>Total Inmarsat Solutions</b>	<b>380.9</b>	<b>384.6</b>	<b>(1.0%)</b>
Intercompany eliminations and adjustments	(180.5)	(148.2)	
<b>Total revenue</b>	<b>652.3</b>	<b>640.3</b>	<b>1.9%</b>

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

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **Inmarsat plc operating costs by segment:**

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year<sup>1</sup></b>	<b>Increase/ (decrease)</b>
<b>Inmarsat Global:</b>			
Employee benefit costs	59.6	58.6	1.7%
Network and satellite operations costs	30.2	23.2	30.2%
Other operating costs	44.2	43.3	2.1%
Own work capitalised	(11.2)	(10.6)	5.7%
<b>Total Inmarsat Global</b>	<b>122.8</b>	<b>114.5</b>	<b>7.2%</b>
<b>Inmarsat Solutions</b>	<b>339.4</b>	<b>344.4</b>	<b>(1.5%)</b>
Intercompany eliminations and adjustments	(179.6)	(147.8)	
<b>Total net operating costs</b>	<b>282.6</b>	<b>311.1</b>	<b>(9.2%)</b>

### **Inmarsat plc reconciliation of profit for the period to EBITDA:**

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year</b>	<b>Increase/ (decrease)</b>
<b>Profit for the period</b>	136.7	125.3	9.1%
<b>Add back:</b>			
Income tax expense	31.6	60.2	(47.5%)
Net finance expense	65.9	27.4	140.5%
Depreciation and amortisation	136.1	108.3	25.7%
Loss on disposal of assets	0.2	–	–
Impairment losses	0.5	9.4	(94.7%)
Share of profit of associates	(1.3)	(1.4)	(7.1%)
<b>EBITDA</b>	<b>369.7</b>	<b>329.2</b>	<b>12.3%</b>
<b>EBITDA margin %</b>	<b>56.7%</b>	<b>51.4%</b>	

### ***Inmarsat Global Results***

#### ***Revenues***

During the half year ended 30 June 2014, revenues from Inmarsat Global were \$451.9m, an increase of \$48.0m, or 11.9%, compared with the half year ended 30 June 2013. MSS revenues increased by \$7.1m, or 1.9%, in the same period. The remainder of the increase in total revenues in the half year ended 30 June 2014 is primarily due to an increase in revenues recognised in relation to our LightSquared Cooperation Agreement.

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

<sup>1</sup> It is the Group's policy to reclassify, where appropriate, prior year cost allocations to conform to current year presentation. There has been a change in the allocation of costs included in network and satellite operations costs versus other operating costs effective from 1 January 2014, whereby all Inmarsat Global interconnect network costs are now included in network and satellite operations costs. The comparative figures for the half year ended 30 June 2013 included in the table above have been re-presented to reflect this change.

## **OPERATING AND FINANCIAL REVIEW (continued)**

Total active terminal numbers as at 30 June 2014 decreased by 1.5%, compared with 30 June 2013. The table below sets out the active terminals by sector for each of the periods indicated:

(000's)	As at 30 June		Increase/ (decrease)
	2014	2013	
Active terminals <sup>1</sup>			
Maritime	189.0	189.3	(0.2%)
Land mobile	165.5	172.1	(3.8%)
Aviation	17.6	16.2	8.6%
<b>Total active terminals</b>	<b>372.1</b>	<b>377.6</b>	<b>(1.5%)</b>

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

Key developments in Inmarsat Global's revenues for the half year ended 30 June 2014, compared with the half year ended 30 June 2013, were as follows:

- Revenues from the maritime sector increased by \$8.0m (3.7%) against the comparable period. This reflects continued strong growth in take-up and usage of our FleetBroadband service. At 30 June 2014, we had 44,696 active subscribers, having added 3,652 during the half year. The results also reflect certain price increases implemented in March 2013 for our FleetBroadband service. The take-up of our retail XpressLink product by ships currently using our existing L-band maritime services impacts the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis largely migrates to our Inmarsat Solutions segment. In due course, after maritime Global Xpress services are commercially introduced, such customers are expected to migrate over time to Global Xpress (as they are, in general, contractually committed to do) and increase wholesale revenue reported by Inmarsat Global.
- Revenues from the land mobile sector decreased by \$5.1m (7.7%) against the comparable period. The decline in revenues is primarily due to troop withdrawals from Afghanistan and other lower BGAN and GAN usage. We estimate that global events including Afghanistan and Sub-Saharan Africa contributed approximately \$5m more BGAN revenue in the half year ended 30 June 2013 than in the half year ended 30 June 2014.
- Revenues from the aviation sector increased by \$9.7m (17.4%) against the comparable period. We have seen strong growth in revenues from our SwiftBroadband service, period-over-period, in both the business jet and air transport segments. However, this increase has been partially offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers, including usage related to lower activity in Afghanistan.

<sup>1</sup> Active terminals is the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 30 June. Active terminals also include the average number of certain handheld terminals active on a daily basis during the final month of the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M, IsatData Pro and BGAN M2M) used to access our M2M services. At 30 June 2014, we had 275,608 (2013: 236,667) M2M terminals. In addition, we provide some M2M and IsatPhone services on a lease basis where we do not record the number of terminals being served.

## OPERATING AND FINANCIAL REVIEW (continued)

- Revenues from leasing decreased by \$5.5m (12.7%) against the comparable period. The decrease was expected and is predominantly due to a reduction in revenues from a number of government aviation and maritime contracts, partially offset by an increase in government land leases.

### **Net operating costs**

Net operating costs in the half year ended 30 June 2014 increased by \$8.3m, or 7.2%, compared with the half year ended 30 June 2013. Included within net operating costs for the half year ended 30 June 2014 are net costs in relation to our Global Xpress programme of \$12.2m (half year ended 30 June 2013: \$9.8m) and costs in relation to our Cooperation Agreement with LightSquared of \$0.2m (half year ended 30 June 2013: \$3.1m).

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

Key developments in Inmarsat Global's net operating costs for the half year ended 30 June 2014, compared with the half year ended 30 June 2013, were as follows:

- Employee benefit costs increased by \$1.0m (1.7%) against the comparable period primarily due to increased headcount (629 at 30 June 2014 compared with 597 at 30 June 2013), partly offset by the reversal of certain previously recognised share option costs as the options will no longer vest.
- Network and satellite operations costs increased by \$7.0m (30%) against the comparative period primarily due to certain changes made to the internal structure of our business that have no impact on the consolidated results of the Group. In December 2013, the Inmarsat Global segment sold certain operational assets to the Inmarsat Solutions segment. These assets continue to be used by Inmarsat Global and, therefore, from 1 January 2014, the cost of using these assets is being recognised in Inmarsat Global, by way of an intercompany charge, with the Inmarsat Solutions segment recognising a corresponding revenue amount. Previously, as Inmarsat Global owned the assets, the associated cost was recognised as a depreciation expense.
- Other operating costs increased by \$0.9m (2.1%) against the comparative period primarily due a foreign exchange loss of \$1.8m recognised in the half year ended 30 June 2014, compared to a foreign exchange gain of \$2.3m recognised in the half year ended 30 June 2013. Partially offsetting this increase was a decrease in cost of sales due to lower IsatPhone terminal sales and reduced professional fees in relation to our Cooperation Agreement with LightSquared in the half year ended 30 June 2014, compared with the half year ended 30 June 2013.

### **Operating profit**

(\$ in millions)	2014 Half year	2013 Half year	Increase/ (decrease)
Total revenue	451.9	403.9	11.9%
Net operating costs	(122.8)	(114.5)	7.2%
<b>EBITDA</b>	<b>329.1</b>	<b>289.4</b>	<b>13.7%</b>
<i>EBITDA margin %</i>	<i>72.8%</i>	<i>71.7%</i>	
EBITDA excluding LightSquared and Global Xpress	294.1	297.2	(1.0%)
<i>EBITDA margin % excluding LightSquared and Global Xpress</i>	<i>72.7%</i>	<i>74.5%</i>	
Depreciation and amortisation	(86.0)	(75.8)	13.5%
Impairment losses	(44.2)	–	–
<b>Operating profit</b>	<b>198.9</b>	<b>213.6</b>	<b>(6.9%)</b>

## **OPERATING AND FINANCIAL REVIEW (continued)**

As a result of the factors discussed above, Inmarsat Global's EBITDA increased by \$39.7m, or 13.7%, in the half year ended 30 June 2014, compared with the half year ended 30 June 2013.

During the half year ended 30 June 2014, a company in the Inmarsat Global segment recognised a \$44.2m impairment of its investment (held at cost) in Inmarsat Solutions Limited; this is eliminated on consolidation to Inmarsat plc and has no impact on total Group results. In addition, depreciation and amortisation increased by \$10.2m, or 13.5%, in the half year ended 30 June 2014, compared with the half year ended 30 June 2013, as a result of the Alphasat satellite entering commercial service (and therefore starting to be depreciated) in November 2013. Operating profit therefore decreased by \$14.7m, or 6.9%, in the half year ended 30 June 2014, compared with the half year ended 30 June 2013.

### **Inmarsat Solutions Results**

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

#### **Revenues**

As set out on page 7, during the half year ended 30 June 2014, revenues from Inmarsat Solutions decreased by \$3.7m, or 1.0%, compared with the half year ended 30 June 2013.

***Inmarsat MSS.*** Revenues from Inmarsat MSS for the half year ended 30 June 2014 increased by \$21.0m, or 10.9%, compared with the half year ended 30 June 2013. The increase in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by the inclusion of the Globe Wireless business for the half year ended 30 June 2014. In addition, we experienced growth in maritime revenues as a result of growth in our FleetBroadband service and increased leasing revenues as a result of the transfer of a customer to Inmarsat Solutions from another distribution partner. These increases were partially offset by a decrease in aviation revenue primarily due to a reduction in US Government Swift 64 revenues and \$4.6m of non-recurring US Government revenue being recognised in the half year ended 30 June 2013 in connection with the unused portion of a prepaid capacity contract.

For the half year ended 30 June 2014, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 41%, compared with the 36% share for the half year ended 30 June 2013. The increase is predominantly due to the acquisition of Globe Wireless.

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

Revenues from Broadband and Other MSS during the half year ended 30 June 2014 decreased by \$24.7m, or 12.9%, compared with the half year ended 30 June 2013. The decrease is due primarily to the sale of the retail energy business to RigNet, a reduction in revenue from IP managed solutions in our US Government business unit as a result of contract renewals at lower prices and non-renewals and lower sales of equipment across all business units. These decreases were partially offset by increased Commercial Maritime business unit revenues as a result of the acquisition of Globe Wireless, growth in the number

## **OPERATING AND FINANCIAL REVIEW (continued)**

of ships served with our XpressLink service and an increase in intercompany revenue following the recharge of certain operating costs to the Inmarsat Global segment.

### ***Net operating costs***

Net operating costs in the half year ended 30 June 2014 decreased by \$5.0m, or 1.5%, compared with the half year ended 30 June 2013. The table below sets out the components of net operating costs and shows the allocation of costs to the Group's cost categories for each of the periods indicated:

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year<sup>1</sup></b>	<b>Increase/ (decrease)</b>
Cost of goods and services	258.1	257.4	0.3%
Operating costs	81.3	87.0	(6.6%)
<b>Total operating costs</b>	<b>339.4</b>	<b>344.4</b>	<b>(1.5%)</b>
Allocated as follows:			
Employee benefit costs	55.9	59.8	(6.5%)
Network and satellite operations costs <sup>2</sup>	251.9	243.2	3.6%
Other operating costs	35.2	43.8	(19.6%)
Own work capitalised	(3.6)	(2.4)	50.0%
<b>Net operating costs</b>	<b>339.4</b>	<b>344.4</b>	<b>(1.5%)</b>

**Cost of goods and services.** Cost of goods and services during the half year ended 30 June 2014 increased by \$0.7m, or 0.3%, compared with the half year ended 30 June 2013. The increase is due to the inclusion of Globe Wireless and increased costs in our Commercial Maritime business unit related to the increased maritime VSAT revenue, partially offset by the reduction of costs from the sale of the energy business, lower costs of terminals and equipment as a result of lower terminal and equipment sales and lower costs of network services as a result of the reduction in US Government revenue.

**Operating costs.** Operating costs during the half year ended 30 June 2014 decreased by \$5.7m, or 6.6%, compared with the half year ended 30 June 2013. The decrease is primarily due to the sale of the retail energy business, a workforce reduction in our US Government business unit during 2013 and a reduction in pension costs as a result of a change in our pension plan in Norway from a defined benefit plan to a defined contribution plan. This decrease was partially offset by an increase in costs as a result of the acquisition of Globe Wireless.

<sup>1</sup> It is the Group's policy to reclassify, where appropriate, prior year cost allocations to conform to current year presentation. There has been a change in the allocation of costs included in network and satellite operations costs versus other operating costs effective from 1 January 2014, whereby all Inmarsat Solutions terminal and equipment costs are now included in other operating costs. The comparative figures for the half year ended 30 June 2013 included in the table above have been re-presented to reflect this change.

<sup>2</sup> Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **Operating loss**

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year</b>	<b>Increase/ (decrease)</b>
Total revenue	380.9	384.6	(1.0%)
Cost of goods and services	(258.1)	(257.4)	0.3%
<b>Gross margin</b>	<b>122.8</b>	<b>127.2</b>	<b>(3.5%)</b>
<i>Gross margin %</i>	32.2%	33.1%	
Operating costs	(81.3)	(87.0)	(6.6%)
<b>EBITDA</b>	<b>41.5</b>	<b>40.2</b>	<b>3.2%</b>
<i>EBITDA margin %</i>	10.9%	10.5%	
Depreciation and amortisation	(50.1)	(32.5)	54.2%
Loss on disposal of assets	(0.2)	–	–
Impairment losses	(0.5)	(9.4)	(94.7%)
Share of profit of associates	1.3	1.4	(7.1%)
<b>Operating loss</b>	<b>(8.0)</b>	<b>(0.3)</b>	<b>2,566.7%</b>

Gross margin consists of revenues less direct cost of goods and services. Gross margin and gross margin percentage for the half year ended 30 June 2014 have decreased by \$4.4m and 0.9%, respectively, compared with the half year ended 30 June 2013. These decreases are primarily a result of the decrease in revenue and changes in product mix from the prior year.

Inmarsat Solutions' operating loss for the half year ended 30 June 2014 was \$8.0m, a worsening of \$7.7m, compared with the half year ended 30 June 2013. The increased operating loss is primarily due to an increase in depreciation and amortisation of \$17.6m, partially offset by a decrease in impairment losses of \$8.9m. These variances are primarily due to a non-recurring adjustment to depreciation, which resulted in an impairment loss in the half year ended 30 June 2013.

### **Inmarsat plc other Income Statement items:**

#### ***Depreciation and amortisation***

The increase in depreciation and amortisation of \$27.8m for the half year ended 30 June 2014 primarily relates to a \$13.4m adjustment which reduced depreciation in the half year ended 30 June 2013 to correct the prior period carrying values of certain assets relating to the former Stratos business. In addition, depreciation increased due to our Alphasat satellite entering commercial service (and therefore starting to be depreciated) in November 2013 and as a result of the assets acquired in the Globe Wireless transaction. This increase was partially offset by a decrease due to the disposal of certain retail energy assets to RigNet.

#### ***Operating profit***

As a result of the factors discussed above, operating profit for the half year ended 30 June 2014 was \$234.2m, an increase of \$21.3m, or 10.0%, compared with the half year ended 30 June 2013.

#### ***Net finance expense***

Net finance expense for the half year ended 30 June 2014 was \$65.9m, an increase of \$38.5m, or 141%, compared with the half year ended 30 June 2013. The increase is primarily due to the June 2014 refinancing of the Group's Senior Notes. As a result of the cancellation of the Group's previous Senior Notes due 2017, the Group incurred a total redemption premium payable of \$32.8m and further net refinancing costs of \$2.5m. There was also an increase in interest payable following further drawdowns of our Ex-Im Bank Facility which supports our Inmarsat-5 programme and a decrease in capitalised interest in the half year ended 30 June 2014, due to our Alphasat satellite entering commercial service in November 2013, meaning related interest is no longer capitalised. Partially offsetting the increase in net finance expense was a decrease in interest payable under interest rate swaps which matured in 2013 (there were no open interest rate swaps in the half year ended 30 June 2014).

## **OPERATING AND FINANCIAL REVIEW (continued)**

### ***Profit before tax***

As a result of the factors discussed above, profit before tax for the half year ended 30 June 2014 was \$168.3m, a decrease of \$17.2m, or 9.3%, compared with the half year ended 30 June 2013.

### ***Income tax expense***

The tax charge for the half year ended 30 June 2014 was \$31.6m, a decrease of \$28.6m, or 48%, compared with the half year ended 30 June 2013. Included within the tax charge are non-recurring adjustments which, for the half year ended 30 June 2014, resulted in a tax credit of \$0.6m compared to a tax charge of \$14.8m for the half year ended 30 June 2013.

If the effects of the above adjustments are removed, the effective tax rate for the half year ended 30 June 2014 was 19.1%, compared with 24.5% for the half year ended 30 June 2013. This difference largely arises as a result of timing differences related to the recognition of non-UK tax losses and the reduction in the UK main rate of corporation tax from 23% to 21%. The UK tax rate upon which the half year ended 30 June 2014 tax charge is based is 21.5%, compared to 23.25% for the half year ended 30 June 2013.

### ***Profit for the period***

As a result of the factors discussed above, profit for the half year ended 30 June 2014 was \$136.7m, an increase of \$11.4m, or 9.1%, compared with the half year ended 30 June 2013.

### ***Earnings per share***

For the half year ended 30 June 2014, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 30 cents (\$) and 30 cents (\$), respectively, compared with 28 cents (\$) and 28 cents (\$), respectively for the half year ended 30 June 2013.

The half year ended 30 June 2014 basic and diluted earnings per share adjusted to exclude the after-tax effect of the LightSquared contribution, were 22 cents (\$) and 22 cents (\$), respectively, compared with 28 cents (\$) and 27 cents (\$), respectively for the half year ended 30 June 2013.

### ***Inmarsat plc Revenues by Business Unit***

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

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year</b>	<b>Increase/ (decrease)</b>
Commercial Maritime	300.8	259.5	15.9%
US Government	98.1	157.3	(37.6%)
Global Government	61.9	61.4	0.8%
Enterprise <sup>1</sup>	84.3	112.0	(24.7%)
Aviation <sup>1</sup>	46.0	33.9	35.7%
Total business unit revenue	591.1	624.1	(5.3%)
Other income (including LightSquared)	61.2	16.2	277.8%
<b>Total revenue</b>	<b>652.3</b>	<b>640.3</b>	<b>1.9%</b>

**Commercial Maritime.** Commercial Maritime revenues for the half year ended 30 June 2014 increased by \$41.3m, or 15.9%, compared with the half year ended 30 June 2013. The increase is due to the acquisition of Globe Wireless, as well as growth in our FleetBroadband service and price initiatives implemented in March 2013 and January 2014, partially offset by

<sup>1</sup> From 1 January 2014, a fifth business unit was created, Inmarsat Aviation. Inmarsat Aviation focuses on commercial aviation opportunities, which were previously reported within our Inmarsat Enterprise business unit. The comparative figures in the table above have been re-presented to reflect this change.

## **OPERATING AND FINANCIAL REVIEW (continued)**

a reduction in revenues from older maritime services primarily due to migration to FleetBroadband. There was also an increase in VSAT revenue due to take-up of our XpressLink service. These increases were partially offset by lower equipment sales.

**US Government.** US Government revenues for the half year ended 30 June 2014 decreased by \$59.2m, or 38%, compared with the half year ended 30 June 2013. This decrease is primarily due to lower revenue from IP managed solutions resulting from the non-renewal of certain contracts and the renewal of other contracts at lower prices due to reduced requirements and increased competition. In the half year ended 30 June 2014, there were also lower equipment sales, leasing revenue and BGAN and Swift 64 revenues as a result of troop withdrawals from Afghanistan. We are continuing to see pressure on our US Government business unit as a result of continued spending controls by the US Government and the withdrawal of troops from Iraq and Afghanistan. Consequently, we have experienced an increase in competition for the available opportunities and a reduction in revenue and margins.

**Global Government.** Global Government revenues for the half year ended 30 June 2014 increased by \$0.5m, or 0.8%, compared with the half year ended 30 June 2013. The increase is primarily due to increased FleetBroadband, Fleet and SwiftBroadband usage by various customers as well as increased leasing revenue, partially offset by lower equipment sales and decreased GAN usage.

**Enterprise.** Enterprise revenues for the half year ended 30 June 2014 decreased by \$27.7m, or 25%, compared with the half year ended 30 June 2013. This was driven by the sale of the retail energy business to RigNet on 31 January 2014. Excluding this reduction, revenues were broadly flat in the half year ended 30 June 2014, compared with the half year ended 30 June 2013, and include increased M2M, IsatPhone and FleetBroadband airtime revenues offset by lower BGAN and leasing revenue and equipment sales.

**Aviation.** Aviation revenues for the half year ended 30 June 2014 increased by \$12.1m, or 36%, compared with the half year ended 30 June 2013. The increase is primarily due to increased SwiftBroadband and Classic Aero revenues as a result of growth in both the business jet and commercial air transport business.

### **Group Cash Flow Statement**

The increase in net cash generated from operating activities in the half year ended 30 June 2014, compared with the half year ended 30 June 2013, of \$25.7m relates to increased EBITDA and reduced cash tax paid, partially offset by movements in working capital.

Net cash used in investing activities excluding capital expenditure, in the half year ended 30 June 2014 increased by \$15.9m compared with the half year ended 30 June 2013. In the half year ended 30 June 2014, we paid \$45.5m in relation to the acquisition of Globe Wireless, which was partially offset by cash received for the sale of the majority of our retail energy assets.

Capital expenditure, including own work capitalised, decreased by \$66.4m in the half year ended 30 June 2014, compared with the half year ended 30 June 2013, primarily due to the timing of expenditure in relation to the Global Xpress programme. Additionally, capital expenditure in the half year ended 30 June 2013 included spend on our Alphasat programme which entered commercial service in November 2013.

Net cash from financing activities, excluding the payment of dividends, in the half year ended 30 June 2014 was \$40.8m, compared to net cash used in financing activities, excluding the payment of dividends of \$2.4m in the half year ended 30 June 2013. During the half year ended 30 June 2014 we redeemed our previous Senior Notes due 2017 at a cost of \$882.8m. Additionally we paid \$49.9m of interest on borrowings (half year ended 30 June 2013: \$49.5m), repaid \$25.7m of our EIB Facility (half year ended 30 June 2013: \$25.7m) and paid arrangement costs of financing of \$8.9m (half year ended 30 June 2013: \$2.6m). Offsetting the cash outflow we received gross proceeds of \$991.9m on the issue of our new Senior

## **OPERATING AND FINANCIAL REVIEW (continued)**

Notes due 2022 and drew down \$15.4m on our Ex-Im Bank Facility (half year ended 30 June 2013: \$75.6m).

### **Group Free Cash Flow<sup>1</sup>**

(\$ in millions)	<b>2014 Half year</b>	<b>2013 Half year</b>
Cash generated from operations	306.4	293.0
Capital expenditure, including own work capitalised	(205.1)	(271.5)
Net cash interest paid	(49.5)	(48.6)
Cash tax paid	(1.8)	(14.6)
<b>Free cash flow</b>	<b>50.0</b>	<b>(41.7)</b>

In the half year ended 30 June 2014, we had positive free cash flow of \$50.0m, compared with negative free cash flow of \$41.7m in the half year ended 30 June 2013. The increase is primarily due to a reduction in capital expenditure, an increase in cash generated from operations and reduced cash tax paid.

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

At 30 June 2014, the Group had cash and cash equivalents of \$138.2m and available but undrawn borrowing facilities of \$891.1m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future. In addition, we remain well-positioned to access the capital markets when needed, to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event all such enquiries were settled as currently provided for, we estimate the Group would incur a cash tax outflow between now and 2016 of approximately \$125m, of which \$80m is unlikely to be incurred until early 2016. The enquiries remain ongoing at this time.

<sup>1</sup> We define free cash flow ("FCF") as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. FCF is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, IFRS.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### **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 are discussed below; however this summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting our business. 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.

#### ***Satellites and our network***

Our satellites are subject to significant operational risks at launch or while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we expect to maintain commercially prudent levels of launch and in-orbit insurance, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance cover was sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity. In addition, if we are required to shorten the expected useful lives of our satellites, our profitability could be adversely affected.

As the majority of the customer traffic on our network is mobile in nature, the utilisation of our network capacity fluctuates and can be concentrated based on geography and other factors, such as the time of day or major events. For example, key shipping routes will tend to experience higher average traffic volumes than oceanic areas generally. Our ability to serve concentrated levels of traffic is limited by the capacity of our satellites and our ability to move capacity around our network. Although we have designed our network to accommodate expected geographic patterns and peak demand, our network could become congested if concentrated demand exceeds our expectations. Such congestion on a sustained basis could damage our reputation for service availability and harm our results from operations.

In addition, our networks and those of our distribution partners may be vulnerable to security risks. We expect the secure transmission of confidential information over our networks to continue to be a critical element of our operations. Our network and those of our distribution partners have in the past been, and may in the future be vulnerable to unauthorised access, computer viruses and other security problems. Although we have implemented and continue to implement industry-standard security measures, these measures may prove inadequate and may result in system failures and delays that could have a material adverse affect on our business, financial condition and results of operations.

#### ***Critical partners***

Although we have wholly-owned distribution capabilities through our Inmarsat Solutions segment, we continue to rely in part on other third party distribution partners and service providers to sell our services to end-users, and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Alternatively, changes in our business model could affect the willingness of third party distribution partners to continue to offer our services. Third party distribution partners also provide ground infrastructure for our existing and evolved services, if any of these distribution partners fail to provide or maintain these facilities, we would be forced to migrate traffic to our own facilities and our services would likely be interrupted whilst migration takes place.

We also rely on third parties to manufacture and supply terminals to end-users to access our services, and, as a result, we cannot control the availability of such terminals. In addition, our business relies on intellectual property, some of which third parties own, and we may inadvertently infringe upon their patents and proprietary rights.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### ***Spectrum***

We rely on radio spectrum to provide our services. This has historically been allocated by the International Telecommunications Union without charge, and usage is coordinated with other satellite operators in our spectrum band. In the future, we may not be successful in coordinating our satellite operations under applicable international regulations and procedures or in obtaining sufficient spectrum or orbital resources necessary for our operations.

### ***Regulation***

Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals. The provision of our mobile satellite communication services in some countries could cause us to incur additional costs, could expose us to fines and could limit our ability to provide services.

We, our customers and the companies with which we, or our customers do business may be required to have authority from each country in which we or such companies provide services or provide our or their customers with the use of our satellites. We may not be aware of whether some of our customers/and or companies with which we do business do not hold the requisite licenses and approvals as required in such countries.

In addition, our contractual relationships with our distribution partners may be subject to regulatory challenge, which could require us to renegotiate the contractual relationships and could result in the imposition of fines. Our distribution partners and services providers also face increasing regulation in many countries, and end-users often require licenses to operate end terminals. This regulatory burden could increase the costs to our distribution partners and service providers or restrict their ability to sell our products.

### ***Next generation services and satellites***

We are currently in the process of implementing a major investment programme, Global Xpress, which includes the deployment of a global network of Ka-band satellites. This programme, which includes satellites, ground network, terminals and related services, may be subject to delays and/or material cost overruns. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. A delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

### ***Competition***

Although Inmarsat is a market leader in MSS, the global communications industry is highly competitive. We face competition today from a number of communications technologies in the various target sectors for our services. It is likely that we will continue to face increasing competition from other network operators in some or all of our target sectors in the future, particularly from existing mobile satellite network operators; there is also a risk that new technologies introduced by our competitors may reduce demand for our services or render our technologies obsolete. In addition, communications providers who operate private networks using VSAT or hybrid systems also continue to target MSS users. While we believe that our L-band product offerings remain competitive in the markets we serve and that our investment in Global Xpress will position us favourably to compete with VSAT providers in the future, technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors, including the maritime and aviation sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our land mobile services in those areas.

### ***Development of hybrid networks, including Ancillary Terrestrial Component ("ATC")***

Proposed ATC services in North America or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. We cannot be certain that the development of hybrid networks, including ATC, in

## **OPERATING AND FINANCIAL REVIEW (continued)**

North America or other countries will not result in harmful interference to our operations. If we are unable to prevent or mitigate against such interference it could have an effect on our operations, revenues, profitability and liquidity.

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

Our Cooperation Agreement with LightSquared may present us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to coexist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our L-band services over North America with minimal impact to our users, following the launch of ATC services by LightSquared, there is a risk that our services may be congested, interrupted and/or interfered with, which could have an adverse effect on our future L-band service performance in North America.

### ***Reductions in spending by government customers, in particular the US Government***

Following the recent US federal budget sequestration, we have experienced a significant contraction in US Government business in our Inmarsat Solutions segment. Sequestration resulted in the implementation of spending controls by the US Government and a further increase in competition for our US Government business unit. As a result we have experienced a reduction in revenues and margins. Although the adverse impact on our business has been limited to our Inmarsat Solution segment to date, our Global Xpress business plan relies on a material revenue contribution from government customers. If additional government spending controls are implemented, government contracting opportunities may be cancelled, de-scoped or delayed which could further adversely affect our revenues, profitability and results of operations.

### ***Government sanctions relating to Ukraine may affect our ability to launch new satellites such as Inmarsat-5 F2 and Inmarsat-5 F3***

The current unstable geo-political situation in Ukraine has created new risks for our business activities in Russia or with Russian entities including sanctions that may prohibit certain business activities. In particular the Inmarsat-5 F2 and F3 satellites are each committed to be launched on a Proton launch vehicle, a Russian-built rocket, from the Baikonur Cosmodrome in Kazakhstan, a facility which is leased and operated by the Russian Federation. We believe that the current restrictions in place do not affect our planned launches, but there is a risk that further erosion in the Ukraine situation or a broadening of Russian trading restrictions could cause unspecified launch delays and delay global coverage of our Global Xpress services, which could adversely affect our revenues, profitability and results of operations.

### ***Financing and foreign exchange risk***

We have a significant amount of debt and may incur substantial additional debt in the future. Although we believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future, our substantial debt requires us to dedicate a substantial portion of our cash flows from operations to payment of our debt, which reduces our cash flow available to fund capital expenditure and for other general corporate purposes. Our ability to make payments on and refinance our debt will depend on our future operating performance and ability to generate sufficient cash. We are also subject to restrictive debt covenants.

We use the US Dollar as our functional and reporting currency. While almost all our revenues are denominated in US Dollars, a substantial portion of our operating expenses and, from time to time, a small proportion of our capital expenditures are denominated in currencies other than the US Dollar. Although we generally hedge our foreign exchange exposure in the short-term, there is no assurance that in the longer-term our results of operations would not be affected by fluctuations of the US Dollar against other currencies (primarily Pounds Sterling).

### ***Taxation***

We operate in a number of jurisdictions around the world and from time to time have disputes on the amount of tax due. We maintain constructive engagement with the tax authorities and where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles, and we provide for any potential tax exposures in line with accounting standards.

## **OPERATING AND FINANCIAL REVIEW (continued)**

### ***Impairment losses***

Accounting standards require the regular testing of the value of intangible assets, including goodwill. As our business evolves, further organisational, contractual and other changes may result in a requirement to record further impairment charges. Whilst these would not affect any cash outflow to the Group, they would have an adverse effect on our results of operations.

### ***Management and employees***

Technological competence and innovation are critical to our business and depend, to a significant degree on the work of technically skilled employees. In the future, we may not be able to recruit and retain the number and calibre of management or employees necessary for our business, which may adversely affect our revenues, profitability and liquidity.

### ***Related party transactions***

There have been no material changes in the related party transactions described on page 119 of the 2013 Inmarsat plc Annual Report and Accounts.

Inmarsat plc  
99 City Road  
London EC1Y 1AX

By order of the Board,

Rupert Pearce  
Chief Executive Officer  
5 August 2014

Tony Bates  
Chief Financial Officer  
5 August 2014

## CONDENSED UNAUDITED FINANCIAL STATEMENTS

### INMARSAT PLC CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT For the half year ended 30 June 2014 (unaudited)

(\$ in millions)	2014 Half year	2013 Half year <sup>1</sup>
<b>Revenues</b>	<b>652.3</b>	<b>640.3</b>
Employee benefit costs	(115.5)	(118.4)
Network and satellite operations costs	(106.0)	(121.9)
Other operating costs	(76.7)	(84.5)
Own work capitalised	15.6	13.7
<b>Total net operating costs</b>	<b>(282.6)</b>	<b>(311.1)</b>
<b>EBITDA</b>	<b>369.7</b>	<b>329.2</b>
Depreciation and amortisation	(136.1)	(108.3)
Loss on disposal of assets	(0.2)	–
Impairment losses	(0.5)	(9.4)
Share of profit of associates	1.3	1.4
<b>Operating profit</b>	<b>234.2</b>	<b>212.9</b>
Finance income	6.4	1.9
Finance expense	(72.3)	(29.3)
Net finance expense	(65.9)	(27.4)
<b>Profit before income tax</b>	<b>168.3</b>	<b>185.5</b>
Income tax expense	(31.6)	(60.2)
<b>Profit for the period</b>	<b>136.7</b>	<b>125.3</b>
<b>Attributable to:</b>		
<b>Equity holders</b>	<b>136.4</b>	<b>125.1</b>
<b>Non-controlling interest</b>	<b>0.3</b>	<b>0.2</b>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in \$ per share)		
— Basic	0.30	0.28
— Diluted	0.30	0.28
Adjusted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in \$ per share)		
— Basic	0.22	0.28
— Diluted	0.22	0.27

<sup>1</sup> It is the Group's policy to reclassify, where appropriate, prior year cost allocations to conform to current year presentation. There has been a change in the allocation of costs included in network and satellite operations costs versus other operating costs effective from 1 January 2014. The change aligns the Group presentation of terminal and equipment costs within other operating costs and interconnect network costs within network and satellite operations costs. The comparative figures for the half year ended 30 June 2013 included in the Income Statement above have been re-presented to reflect this change.

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

### INMARSAT PLC CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME For the half year ended 30 June 2014 (unaudited)

(\$ in millions)	2014 Half year	2013 Half year
<b>Profit for the period</b>	<b>136.7</b>	<b>125.3</b>
<b>Other comprehensive (loss)/income</b>		
<b>Amounts subsequently reclassified to the Income Statement:</b>		
Foreign exchange translation differences	0.1	(0.2)
Net losses on cash flow hedges	(0.3)	(1.0)
Tax credited directly to equity	0.2	0.1
<b>Amounts not subsequently reclassified to the Income Statement:</b>		
Actuarial (losses)/gains from pension and post-employment benefits	(4.0)	4.3
Tax credited/(charged) directly to equity	0.7	(1.0)
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(3.3)</b>	<b>2.2</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>133.4</b>	<b>127.5</b>
<b>Attributable to:</b>		
Equity holders	133.1	127.3
Non-controlling interest	0.3	0.2

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

### INMARSAT PLC CONDENSED CONSOLIDATED INTERIM BALANCE SHEET At 30 June 2014

(\$ in millions)	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)	As at 30 June 2013 (unaudited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,590.0	2,495.9	2,325.1
Intangible assets	808.4	781.1	947.1
Investments	33.6	32.7	32.4
Other receivables	22.1	21.6	18.1
Deferred income tax assets	17.8	21.3	–
Derivative financial instruments	2.2	3.6	0.1
	<b>3,474.1</b>	<b>3,356.2</b>	<b>3,322.8</b>
<b>Current assets</b>			
Cash and cash equivalents	138.2	144.3	216.1
Trade and other receivables	305.2	277.0	273.9
Inventories	43.7	27.7	26.2
Current income tax assets	12.2	11.6	–
Derivative financial instruments	9.0	9.2	0.7
Assets held for sale	–	42.8	–
	<b>508.3</b>	<b>512.6</b>	<b>516.9</b>
<b>Total assets</b>	<b>3,982.4</b>	<b>3,868.8</b>	<b>3,839.7</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	435.7	399.1	54.6
Trade and other payables	481.5	515.7	545.3
Provisions	3.3	4.3	2.8
Current income tax liabilities	107.0	100.2	50.9
Derivative financial instruments	0.3	0.5	7.8
Liabilities directly associated with assets held for sale	–	19.0	–
	<b>1,027.8</b>	<b>1,038.8</b>	<b>661.4</b>
<b>Non-current liabilities</b>			
Borrowings	1,655.3	1,558.0	1,827.2
Other payables	27.4	26.2	25.0
Provisions	24.1	23.9	24.0
Deferred income tax liabilities	194.2	174.1	168.6
Derivative financial instruments	–	–	0.5
	<b>1,901.0</b>	<b>1,782.2</b>	<b>2,045.3</b>
<b>Total liabilities</b>	<b>2,928.8</b>	<b>2,821.0</b>	<b>2,706.7</b>
<b>Net assets</b>	<b>1,053.6</b>	<b>1,047.8</b>	<b>1,133.0</b>
<b>Shareholders' equity</b>			
Ordinary shares	0.3	0.3	0.3
Share premium	687.4	687.4	687.4
Equity reserve	56.9	56.9	56.9
Other reserves	64.2	62.9	44.3
Retained earnings	244.3	240.0	342.8
<b>Equity attributable to shareholders of the parent</b>	<b>1,053.1</b>	<b>1,047.5</b>	<b>1,131.7</b>
Non-controlling interest	0.5	0.3	1.3
<b>Total equity</b>	<b>1,053.6</b>	<b>1,047.8</b>	<b>1,133.0</b>

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

### INMARSAT PLC CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY For the half year ended 30 June 2014

(\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Other reserves <sup>1</sup>	Retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2013 (audited)</b>	<b>0.3</b>	<b>687.4</b>	<b>56.9</b>	<b>56.5</b>	<b>(2.5)</b>	<b>0.6</b>	<b>0.4</b>	<b>(11.5)</b>	<b>336.7</b>	<b>1.1</b>	<b>1,125.9</b>
Share options charge	–	–	–	1.9	–	–	–	–	0.5	–	2.4
Dividends payable	–	–	–	–	–	–	–	–	(122.8)	–	(122.8)
Comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	–	125.1	0.2	125.3
Other comprehensive income – before tax	–	–	–	–	(1.0)	–	(0.2)	–	4.3	–	3.1
Other comprehensive income - tax	–	–	–	–	0.1	–	–	–	(1.0)	–	(0.9)
<b>Balance at 30 June 2013 (unaudited)</b>	<b>0.3</b>	<b>687.4</b>	<b>56.9</b>	<b>58.4</b>	<b>(3.4)</b>	<b>0.6</b>	<b>0.2</b>	<b>(11.5)</b>	<b>342.8</b>	<b>1.3</b>	<b>1,133.0</b>
Share options charge	–	–	–	3.1	–	–	–	3.5	1.1	–	7.7
Dividends payable	–	–	–	–	–	–	–	–	(79.6)	(0.2)	(79.8)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Comprehensive income:											
Loss for the period	–	–	–	–	–	–	–	–	(23.1)	0.4	(22.7)
Other comprehensive income – before tax	–	–	–	–	15.7	–	–	–	(1.6)	–	14.1
Other comprehensive income - tax	–	–	–	–	(3.7)	–	–	–	0.4	–	(3.3)
<b>Balance at 31 December 2013 (audited)</b>	<b>0.3</b>	<b>687.4</b>	<b>56.9</b>	<b>61.5</b>	<b>8.6</b>	<b>0.6</b>	<b>0.2</b>	<b>(8.0)</b>	<b>240.0</b>	<b>0.3</b>	<b>1,047.8</b>
Share options charge	–	–	–	1.3	–	–	–	–	0.3	–	1.6
Dividends payable	–	–	–	–	–	–	–	–	(129.1)	–	(129.1)
Adjustment to transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	–	136.4	0.3	136.7
Other comprehensive loss – before tax	–	–	–	–	(0.3)	–	0.1	–	(4.0)	–	(4.2)
Other comprehensive loss - tax	–	–	–	–	0.2	–	–	–	0.7	–	0.9
<b>Balance at 30 June 2014 (unaudited)</b>	<b>0.3</b>	<b>687.4</b>	<b>56.9</b>	<b>62.8</b>	<b>(8.5)</b>	<b>0.6</b>	<b>0.3</b>	<b>(8.0)</b>	<b>244.3</b>	<b>0.5</b>	<b>1,053.6</b>

<sup>1</sup> The other reserve relates to ordinary shares held by the employee share trust.

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

### **INMARSAT PLC CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT For the half year ended 30 June 2014 (unaudited)**

(\$ in millions)	2014 Half year	2013 Half year
<b>Cash flow from operating activities</b>		
Cash generated from operations	306.4	293.0
Interest received	0.4	0.9
Income taxes paid	(1.8)	(14.6)
<b>Net cash from operating activities</b>	<b>305.0</b>	<b>279.3</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(173.4)	(244.9)
Additions to capitalised development costs and other intangibles	(15.9)	(14.8)
Own work capitalised	(15.8)	(11.8)
Acquisition of subsidiaries and other investments	(45.5)	(2.6)
Proceeds on disposal of assets	27.0	–
<b>Net cash used in investing activities</b>	<b>(223.6)</b>	<b>(274.1)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	(127.3)	(120.0)
Repayment of EIB Facility	(25.7)	(25.7)
Drawdown of Ex-Im Bank Facility	15.4	75.6
Redemption of Senior Notes due 2017	(882.8)	–
Gross issuance proceeds of Senior Notes due 2022	991.9	–
Interest paid on borrowings	(49.9)	(49.5)
Arrangement costs of financing	(8.9)	(2.6)
Other financing activities	0.8	(0.2)
<b>Net cash used in financing activities</b>	<b>(86.5)</b>	<b>(122.4)</b>
Foreign exchange adjustment	0.4	(0.3)
<b>Net decrease in cash and cash equivalents</b>	<b>(4.7)</b>	<b>(117.5)</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of period	140.8	332.1
Net decrease in cash and cash equivalents	(4.7)	(117.5)
<b>As reported on balance sheet (net of bank overdrafts)</b>	<b>136.1</b>	<b>214.6</b>
<b>At end of period, comprising</b>		
Cash at bank and in hand	41.7	69.1
Short-term deposits with original maturity of less than three months	96.5	147.0
Bank overdrafts	(2.1)	(1.5)
	<b>136.1</b>	<b>214.6</b>

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. General Information**

The principal activity of Inmarsat plc 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 consolidated interim financial results have been approved by the Board of Directors for issue on 5 August 2014.

The financial information for the year ended 31 December 2013 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

#### **2. Principal accounting policies**

##### *Basis of preparation*

The unaudited consolidated interim financial results for the half year ended 30 June 2014 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated 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 2013, and which are available on our website at [www.inmarsat.com](http://www.inmarsat.com). Except as described below, the unaudited condensed consolidated interim financial statements are based upon accounting policies and methods consistent with those used and described in the Group's 2013 annual consolidated financial statements prepared under IFRS, set out on pages 75 to 120. Operating results for the half year ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. The consolidated balance sheet as at 31 December 2013 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

##### *Basis of accounting*

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

- IFRS 10 – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014);
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2014);

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

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

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

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

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

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

### **3. Segment information**

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

The Group's reportable segments are therefore as follows:

- Inmarsat Global – which is principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a stand-alone basis and in aggregate;

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

- Inmarsat Solutions – distribution partner for the supply of advanced mobile and fixed-site remote telecommunications services. The segment also includes the provision of customised turnkey remote telecommunications solutions, value-added services and equipment to intermediary service providers and end-users. Prior to 31 January 2014, the segment also included microwave services and the supply of engineering services, which were disposed of as part of the sale of the majority of the Group's retail energy assets to RigNet; and
- 'Unallocated' – includes Group borrowings and the related finance expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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

### **Segment information:**

(\$ in millions)	2014 Half year				Total
	Inmarsat Global	Inmarsat Solutions <sup>1</sup>	Unallocated	Eliminations	
Revenues					
External sales	289.9	362.4	–	–	652.3
Inter-segment	162.0	18.5	–	(180.5)	–
<b>Total revenues</b>	<b>451.9</b>	<b>380.9</b>	<b>–</b>	<b>(180.5)</b>	<b>652.3</b>
<b>EBITDA</b>	<b>329.1</b>	<b>41.5</b>	<b>–</b>	<b>(0.9)</b>	<b>369.7</b>
Segment result (operating profit/(loss))					
before operating profit from					
LightSquared	196.2	(7.5)	–	(0.9)	187.8
Operating profit from LightSquared	46.9	–	–	–	46.9
Impairment losses	(44.2)	(0.5)	–	44.2	(0.5)
<b>Segment result (operating profit/(loss))</b>	<b>198.9</b>	<b>(8.0)</b>	<b>–</b>	<b>43.3</b>	<b>234.2</b>
Net finance expense charged to the					
Income Statement	–	–	(65.9)	–	(65.9)
<b>Profit before income tax</b>					<b>168.3</b>
Income tax expense					(31.6)
<b>Profit for the period</b>					<b>136.7</b>
Capital expenditure <sup>2</sup>	(185.6)	(40.8)	–	7.7	(218.7)
Depreciation	(75.0)	(26.1)	–	–	(101.1)
Amortisation of intangible assets	(11.0)	(24.0)	–	–	(35.0)

<sup>1</sup> Our Inmarsat Solutions segment includes Globe Wireless LLC ("Globe Wireless") from 1 January 2014 (see note 10) and excludes the majority of our retail energy business sold to RigNet, Inc from 31 January 2014.

<sup>2</sup> Capital expenditure stated using accruals basis. The intercompany elimination primarily relates to intersegmental asset sales.

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

(\$ in millions)	2013 Half year				Total
	Inmarsat Global	Inmarsat Solutions <sup>1</sup>	Unallocated	Eliminations	
Revenues					
External sales	262.5	377.8	–	–	640.3
Inter-segment	141.4	6.8	–	(148.2)	–
<b>Total revenues</b>	<b>403.9</b>	<b>384.6</b>	<b>–</b>	<b>(148.2)</b>	<b>640.3</b>
<b>EBITDA</b>	<b>289.4</b>	<b>40.2</b>	<b>–</b>	<b>(0.4)</b>	<b>329.2</b>
Segment result (operating profit/(loss)) before operating profit from LightSquared	211.6	(0.3)	–	(0.4)	210.9
Operating profit from LightSquared	2.0	–	–	–	2.0
<b>Segment result (operating profit/(loss))</b>	<b>213.6</b>	<b>(0.3)</b>	<b>–</b>	<b>(0.4)</b>	<b>212.9</b>
Net finance expense charged to the Income Statement	–	–	(27.4)	–	(27.4)
<b>Profit before income tax</b>					<b>185.5</b>
Income tax expense					(60.2)
<b>Profit for the period</b>					<b>125.3</b>
Capital expenditure <sup>2</sup>	(303.9)	(32.2)	–	0.1	(336.0)
Depreciation	(65.3)	(10.1)	–	–	(75.4)
Amortisation of intangible assets	(10.5)	(22.4)	–	–	(32.9)

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

#### 4. Net finance expense

(\$ in millions)	2014 Half year	2013 Half year
Interest on Senior Notes and credit facilities	(46.2)	(43.3)
Interest on Convertible Bonds	(15.1)	(14.7)
Interest on Inmarsat Solutions borrowings	(0.2)	(0.3)
Pension and post-employment liability finance costs	(0.2)	–
Interest rate swaps	–	(4.7)
Unwinding of discount on deferred satellite liabilities	(0.8)	(0.9)
Amortisation of debt issue costs	(12.1)	(3.9)
Amortisation of discount on Senior Notes due 2022	(0.1)	–
Redemption premium on Senior Notes due 2017	(32.8)	–
Other interest	(0.1)	(0.2)
<b>Finance expense</b>	<b>(107.6)</b>	<b>(68.0)</b>
Less: Amounts included in the cost of qualifying assets	35.3	38.7
<b>Total finance expense</b>	<b>(72.3)</b>	<b>(29.3)</b>
Bank interest receivable and other interest	0.4	0.8
Net amortisation of premium on Senior Notes due 2017	6.0	0.8
Pension and post-employment liability finance income	–	0.3
<b>Finance income</b>	<b>6.4</b>	<b>1.9</b>
<b>Net finance expense</b>	<b>(65.9)</b>	<b>(27.4)</b>

<sup>1</sup> Includes TC Communications Pty Ltd (“TC Comms”) from 8 May 2013.

<sup>2</sup> Capital expenditure stated using accruals basis.

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

### 5. Income tax expense

(\$ in millions)	2014 Half year	2013 Half year
<b>Current tax expense:</b>		
Current year	(7.7)	(23.3)
Adjustments in respect of prior periods:		
– Other	0.3	(9.7)
<b>Total current tax expense</b>	<b>(7.4)</b>	<b>(33.0)</b>
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences:		
– Other temporary differences	(24.5)	(24.9)
Adjustments in respect of prior periods:		
– Other	0.3	(2.3)
<b>Total deferred tax expense</b>	<b>(24.2)</b>	<b>(27.2)</b>
<b>Total income tax expense</b>	<b>(31.6)</b>	<b>(60.2)</b>

Please see note 11 for further details on the Group's contingent liabilities relating to income tax.

### 6. Net Borrowings

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

(\$ in millions)	As at 30 June 2014			As at 31 December 2013		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
<b>Current:</b>						
Bank overdrafts	2.1	–	2.1	3.5	–	3.5
Deferred satellite payments	8.4	–	8.4	10.6	–	10.6
EIB Facility <sup>(a)</sup>	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facility <sup>(b)</sup>	40.2	–	40.2	13.3	–	13.3
Convertible Bonds <sup>(c)</sup>	338.2	(0.4)	337.8	325.6	(1.0)	324.6
– Accretion of principal	3.1	–	3.1	3.0	–	3.0
<b>Total current borrowings</b>	<b>436.1</b>	<b>(0.4)</b>	<b>435.7</b>	<b>400.1</b>	<b>(1.0)</b>	<b>399.1</b>
<b>Non-current:</b>						
Deferred satellite payments	20.8	–	20.8	23.6	–	23.6
Senior Notes due 2017 <sup>(d)</sup>	–	–	–	850.0	(8.7)	841.3
– Net issuance premium	–	–	–	5.9	–	5.9
Senior Notes due 2022 <sup>(e)</sup>	1,000.0	(9.1)	990.9	–	–	–
– Net issuance discount	(8.0)	–	(8.0)	–	–	–
EIB Facility <sup>(a)</sup>	150.5	(0.9)	149.6	176.2	(1.1)	175.1
Ex-Im Bank Facility <sup>(b)</sup>	518.7	(16.7)	502.0	530.2	(18.1)	512.1
<b>Total non-current borrowings</b>	<b>1,682.0</b>	<b>(26.7)</b>	<b>1,655.3</b>	<b>1,585.9</b>	<b>(27.9)</b>	<b>1,558.0</b>
<b>Total Borrowings<sup>(f)</sup></b>	<b>2,118.1</b>	<b>(27.1)</b>	<b>2,091.0</b>	<b>1,986.0</b>	<b>(28.9)</b>	<b>1,957.1</b>
Cash and cash equivalents	(138.2)	–	(138.2)	(144.3)	–	(144.3)
<b>Net Borrowings</b>	<b>1,979.9</b>	<b>(27.1)</b>	<b>1,952.8</b>	<b>1,841.7</b>	<b>(28.9)</b>	<b>1,812.8</b>

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

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

on 30 April 2018 and became repayable in equal annual instalments on both tranches with effect from 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.

- (b) On 11 May 2011, the Group signed a 12.5-year \$700.0m direct financing agreement with the Export-Import Bank of the United States (the 'Ex-Im Bank Facility'). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.
- (c) On 16 November 2007, we issued \$287.7m in principal amount of 1.75% Convertible Bonds due 2017 (the "Convertible Bonds"). The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193, representing approximately 5% of the Company's current issued share capital. The initial conversion price was \$12.694 and the total number of common shares to be issued if all bonds are converted was 22.7 million shares. The conversion price is subject to periodic adjustment if dividends paid on ordinary shares exceed defined levels. In 2012, the conversion price was adjusted to \$12.490 and the total number of shares to be issued if all bonds are converted to 23.0 million shares. The Company will have an option to call the bonds after seven years at their accreted principal amount under certain circumstances. In addition, the holder of each bond had the right to require the Company to redeem the bonds at the accreted principal amount on 16 November 2012 and will have the right again on 16 November 2014. None of the bonds were redeemed on 16 November 2012; as a result management have revised the estimated maturity date to November 2014 and the amortised cost was adjusted in 2012. As at 30 June 2014, the Convertible Bonds have been recorded as a current liability.
- (d) On 4 June 2014, we redeemed the entire principal amount of \$850.0m outstanding under our previous 7.375% Senior Notes due 2017. We incurred a redemption premium of \$32.8m and wrote off unamortised debt issue costs in relation to the Notes of \$7.8m. In addition, at redemption we accelerated the write-off of the net premium on the Senior Notes due 2017 to the Income Statement resulting in a credit of \$5.3m.
- (e) On 4 June 2014, we issued \$1 billion aggregate principal amount of 4.875% Senior Notes due 2022 ("Senior Notes due 2022"). The aggregate gross proceeds were \$991.9m, net of \$8.1m issuance discount. In addition, we capitalised \$9.2m of issuance costs in relation to the Senior Notes due 2022.
- (f) On 30 June 2011, the Group signed a five-year \$750.0m revolving credit facility ("Senior Credit Facility"). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 30 June 2014, there were no drawings on the Senior Credit Facility.

### **7. Financial instruments fair value disclosures**

The Group held financial instruments at fair value at 30 June 2014, as set out below. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

(\$ in millions)	As at 30 June 2014	As at 30 June 2013
<b>Recurring fair value measurements:</b>		
<b>Financial assets:</b>		
Forward foreign currency contracts – designated cash flow hedges	10.7	0.8
Forward foreign currency contracts – undesignated	0.5	–
<b>Financial liabilities:</b>		
Forward foreign currency contracts – designated cash flow hedges	(0.3)	(3.1)
Forward foreign currency contracts – undesignated	–	(0.4)
Interest rate swap – designated cash flow hedge	–	(4.8)
<b>Total net fair value</b>	<b>10.9</b>	<b>(7.5)</b>

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

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

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

The fair value of the interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

	Carrying value			Fair Value		
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2013
(\$ in millions)						
<b>Financial liabilities:</b>						
Senior Notes due 2022	1,000.0	–	–	1,015.0	–	–
Senior Notes due 2017	–	850.0	850.0	–	885.6	889.9
Convertible bonds	338.2	325.6	313.4	474.5	392.0	374.9

### **8. Dividends**

(\$ in millions)	2014 Half year	2013 Half year
Final dividend for the year ended 31 December 2013 of 28.82 cents (\$ (year ended 31 December 2012: 27.45 cents (\$)) per share	129.1	122.8

The Board intends to declare and pay an interim dividend of 18.68 cents (\$) per ordinary share on 24 October 2014 to ordinary shareholders on the share register at the close of business on 3 October 2014. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this dividend has not been recorded as a liability for the half year ended 30 June 2014.

### **9. Earnings per share**

The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 448,303,446 and potentially in issue of 453,016,381, respectively (30 June 2013: 447,640,219 and 452,046,129). Diluted earnings per share is calculated by the weighted average number of ordinary shares outstanding for the dilutive potential ordinary shares in respect of the share options/awards in relation to employee share plans.

At 30 June 2014, there were a total of 448,311,424 (30 June 2013: 448,298,368) ordinary shares in issue.

#### **Adjusted earnings per share**

Adjusted earnings per share reflects the basic and diluted earnings per share for the half years ended 30 June 2014 and 2013 adjusted to exclude the after-tax effect of the contribution of LightSquared to earnings.

The table below sets out the adjusted earnings attributable to equity holders of the Company that was used in the calculation of both the adjusted basic and diluted earnings per share. The weighted average number of ordinary shares in issue and potentially in issue did not differ from the unadjusted earnings per share calculation.

## CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)

(\$ in millions)	2014 Half year	2013 Half year
Earnings attributable to equity holders of the Company	136.4	125.1
Adjustments for:		
LightSquared contribution (net of tax)	(36.8)	(1.5)
<b>Adjusted earnings attributable to equity holders of the company</b>	<b>99.6</b>	<b>123.6</b>

### 10. Acquisition of Globe Wireless

Effective from 1 January 2014, we acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC, for a provisional cash consideration of \$45.5m (which may change subject to the final working capital adjustment to be agreed between both parties).

Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. In the 12 months ended 30 June 2013, Globe Wireless reported revenues of \$91m and currently has an installed customer base of over 6,000 ships.

The acquisition of Globe Wireless will benefit Inmarsat's Commercial Maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The acquisition of Globe Wireless has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for the half year ended 30 June 2014 include the financial results of Globe Wireless from 1 January 2014 (the effective date of the transaction). Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

The allocation of the purchase consideration has not been finalised and is expected to be finalised later in 2014. The current estimate of goodwill represents the excess of the provisional purchase consideration over the provisional fair value of the assets and liabilities acquired. Qualitatively, goodwill represents, among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. The provisional goodwill balance also represents the benefit to the Group of the operating synergies and revenue growth expected from the acquisition.

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

The table below sets out the provisional allocation of the provisional purchase consideration to the net assets and liabilities acquired (which is subject to change):

(\$ in millions)	Book value	Provisional fair value adjustments	Provisional fair value at acquisition date
<b>Net assets acquired:</b>			
Intangible assets <sup>(a)</sup>	12.7	10.9	23.6
Property, plant and equipment	3.2	–	3.2
Other assets	0.2	–	0.2
<b>Total non-current assets</b>	<b>16.1</b>	<b>10.9</b>	<b>27.0</b>
Trade and other receivables <sup>(b)</sup>	22.0	–	22.0
Inventories	3.7	–	3.7
Other assets	2.4	–	2.4
<b>Total current assets</b>	<b>28.1</b>	<b>–</b>	<b>28.1</b>
Trade and other payables	(14.7)	–	(14.7)
Deferred revenue	(3.0)	–	(3.0)
Other liabilities	(4.7)	–	(4.7)
Current borrowings	(0.1)	–	(0.1)
Non-current borrowings	(0.9)	–	(0.9)
<b>Total liabilities</b>	<b>(23.4)</b>	<b>–</b>	<b>(23.4)</b>
<b>Identifiable net assets</b>	<b>20.8</b>	<b>10.9</b>	<b>31.7</b>
<b>Provisional cash consideration</b>			<b>45.5</b>
<b>Provisional goodwill recognised<sup>(c)</sup></b>			<b>13.8</b>

(a) The provisional allocation of intangible assets consists of \$16.0m of customer relationships, \$3.5m for software, \$3.5m for technology and \$0.6m in relation to trade names, which are to be amortised over their useful lives of fourteen, three to five, five, and five years, respectively.

(b) The provisional book value of trade receivables of \$15.7m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(c) Of the \$13.8m provisional goodwill balance recognised 75% of the goodwill is deductible for tax purposes at the rate of 7% on a declining-balance basis.

The revenue included in the Income Statement for the half year ended 30 June 2014 contributed by Globe Wireless since the acquisition date was \$41.5m. Globe Wireless also contributed a profit after tax of \$0.6m, during the half year ended 30 June 2014. Globe Wireless is an established distribution partner of Inmarsat Global; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results, as the acquisition of Globe Wireless has also lead to an increase in intercompany eliminations and adjustments within the Group.

### **11. Contingent liability**

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

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

The Group has contingent liabilities in respect of taxes for which no provisions have been made. During 2013, the Group received enquiries from Her Majesty's Revenue and Customs ("HMRC") in respect of financing arrangements which had been entered into in prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of \$18m.

## **CONDENSED UNAUDITED FINANCIAL STATEMENTS (continued)**

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.

### **12. Events after the balance sheet date**

Subsequent to 30 June 2014, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm to the best of their knowledge that:

- (a) the condensed set of unaudited financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting';
- (b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule ("DTR") 4.2.7R, being an indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R, being the disclosure of related parties' transactions and changes therein.

The Directors of Inmarsat plc are listed on our website at [www.inmarsat.com](http://www.inmarsat.com).

By order of the Board,

Rupert Pearce  
Chief Executive Officer  
5 August 2014

Tony Bates  
Chief Financial Officer  
5 August 2014

## INDEPENDENT REVIEW REPORT TO INMARSAT PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London  
5 August 2014