Inmarsat Group Limited reports Interim Results 2015

Financial Headlines

- Total revenues $616.2m (2014: $652.3m)
    - Revenues from LightSquared $35.0m (2014: $47.1m)
- Wholesale Mobile Satellite Service (MSS) revenues $403.8m, up +4.2% (2014: $387.6m)
- Total EBITDA[1] $342.7m (2014: $369.8m)
- Profit after tax $142.1m (2014: $148.1m)
- Net debt at 30 June $1,605.4m (31 December 2014: $1,598.0m)

Operational Headlines

- I-5 F3 launch now re-scheduled for end of August; targeting GX global commercial service introduction by year-end;
- Continuing strong commercial and technical progress in developing European Aviation Network and global aviation passenger connectivity business;

Second Quarter Financial Headlines

- Total revenues $311.4m (2014: $307.6m)
    - Maritime down $5.3m to $147.3m (-3.5%)
    - Government down $10.1m to $70.4m (-12.5%)
    - Enterprise up $0.5m to $40.4m (+1.3%); underlying growth (excl. disposal) +8.9%
    - Aviation up $7.0m to $30.8m (+29.4%)
    - $17.5m from LightSquared (2014: $1.8m)
- Wholesale Mobile Satellite Service (MSS) revenues $205.6m, up 4.8% (2014: $196.1m)
- EBITDA[1] $165.7m (2014: $159.9m)

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

Forward looking Statements

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

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the half year ended 30 June 2015. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In addition to IFRS measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. All discussion of results relates to the half year ended 30 June 2015, and all comparisons are with the half year ended 30 June 2014, unless specifically stated otherwise.

OPERATING REVIEW

Market environment

The overall MSS market environment remains broadly unchanged from the prior quarter We see continuing strong growth in demand for connectivity and mobile data across our markets and robust competition to capture this growth from a diverse range of operators and service providers. In a number of countries we also see local currency weakness putting downward pressure on the market for satellite services.

In the commercial maritime sector, data connectivity is a major driver of operational efficiency and crew retention, both of which are key elements in the competitiveness of fleet operators. This is reflected in continuing growth in ship-to-shore data traffic, and demand for reliable, global connectivity.

Governments continue to experience pressure on defence budgets, and along with lower levels of operational activity this is reducing spending on commercial satellite services. However the rate of decline is slowing and in some areas, such as surveillance, reconnaissance and tactical communications, spending is more resilient.

We continue to see significant growth opportunities in the provision of M2M services by satellite to diverse commercial and government segments, as well as demand for satellite voice and data services across the resources, transportation, security, e-commerce, media and aid segments.

Connections and data traffic in the business aviation market are still growing strongly, and aviation safety services continue to be in the industry spotlight, with a range of new services being trialled in a number of jurisdictions. However the airline industry's primary focus currently is expanding and enhancing passenger connectivity on commercial aircraft outside North America, and there is intense competition between a range of providers to develop and deliver these new services.

Global Xpress Programme update

The planned launch in the second quarter of our third GX satellite, I-5 F3, was delayed due to the failure of the preceding Proton launch from the Baikonur Cosmodrome on 18 May. The investigation by the Russian State Commission into the causes of that failure has now been completed, and the parallel enquiry by the Failure Review Oversight Board set up by ILS in line with Russian and US government export control regulations has now also reported.

Following these reviews the Proton vehicle is now scheduled to return to flight in late August, carrying our I-5 F3 satellite. Launch preparations will recommence this week.

Our first two GX satellites, I-5 F1 and I-5 F2, are both now in geostationary orbit, with F1 already operating commercially and F2 due to arrive shortly in its operational orbital slot. A successful launch of F3 in late August will enable global commercial GX services introduction by the end of 2015, which is expected to catalyse material growth in GlobalXpress revenue through the course of 2016.

The fourth GX satellite, I-5 F4, is currently under construction by Boeing in California. The satellite build remains on schedule, but in light of the recent SpaceX Falcon-9 launch failure there is some uncertainty around the timing of the launch of I-5 F4 on the Falcon Heavy vehicle, currently scheduled for the second half of 2016. Until the successful launch of F3, F4's primary role is as a launch spare.

Development of the GX equipment range continues, with new terminals from Honeywell, Cobham and Paradigm approved during the second quarter. Further successful trials of GX aviation equipment and network capabilities were conducted, including streaming videos and live radio, online conference calls, and downloading files. Successful helicopter tests were also conducted by Boeing. These have all validated the ability of GX to deliver high-speed broadband connectivity while over land and water.

Our GX distribution network continues to expand, and new GX agreements have been signed with Globecomm, MVS and Gilat.

Aviation Cabin Connectivity business update

We remain in advanced stages of negotiation with a number of major airlines to provide connectivity solutions for their passengers, and we expect to sign the first of a number of significant contracts during the second half of the year.

Construction of our S-band satellite remains on schedule. Major development agreements for the construction of the S-band complementary ground network across the European Union and the delivery of On Board Equipment are also close to completion.

No formal new approvals for MSS or ground licenses have been received since May, but this is consistent with the regulatory processes in place in a number of countries, in some of which the formal approvals are simply awaiting finalisation of certain administrative and financial details. We remain confident that the approvals process is on track and that the regulatory risk around the S-band investment will be substantially retired by the end of this year.

New Services and Developments

A contract was signed between Inmarsat and KVH, appointing both companies to be reciprocal distribution partners for complementary offerings in maritime satellite communications markets. KVH becomes a distributor of Inmarsat's Fleet One and FleetBroadband services, and Inmarsat becomes a distributor of KVH proprietary training and news services, which will be offered as enhancements to Inmarsat's Fleet Media service.

In July Inmarsat and the European Space Agency (ESA) announced the successful completion of Phase 1 of the ESA's "Iris Precursor" project, to validate the architecture & system design and safety & security of the ESA's Iris programme, which forms a major part of the EU's "Single European Skies" air traffic management programme.

Also in July Inmarsat and ESA signed a "Public Private Partnership", in which Inmarsat will act as the prime contractor in a €4.2m project to expand the identification of new technologies for the next generation of space-enabled communications services.

LightSquared Cooperation Agreement

A payment of $17.5m due from LightSquared on 31 March 2015 was received on 28 May 2015 and the revenue was recognised in the second quarter of 2015. The total of payments received in the half year was $35.0m.

A quarterly payment of $17.5m due from LightSquared on 30 June 2015 was not received on time and as a result we have issued a default notice to LightSquared. This revenue was not recognised in the second quarter.

LightSquared is implementing a Court approved plan to exit from Chapter 11 of the US Bankruptcy Code. The exit from bankruptcy is subject, among other things, to FCC approval of change of control, and payments from LightSquared therefore continue to be subject to material uncertainty.

However we expect to receive payments totalling $70m from LightSquared during the full year 2015.

At 30 June 2015, deferred income remaining in relation to the Cooperation Agreement of $208.8m was recorded on the balance sheet, unchanged during the period. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, remains uncertain.

FINANCIAL REVIEW

Group - Half Year 2015

During the half year ended 30 June 2015, total Group revenue decreased by $36.1m (-5.5%) to $616.2m (2014: $652.3m). This was due to lower revenue in respect of the LightSquared Cooperation Agreement (-$12.1m), continued decline in Government revenue (-$22.8m), the impact of Enterprise disposals (-$10.8m), lower Maritime revenue (-$3.7m) and lower Central Services revenue (-$4.4m), offset by continued underlying growth in Enterprise (+$5.8m) and Aviation (+$11.9m).

Total Group revenue in the half year included global wholesale MSS revenue of $403.8m, +4.2% higher than 2014 ($387.6m), with higher wholesale MSS revenue in Maritime, Aviation and Enterprise more than offsetting the decline in Government wholesale MSS revenue.

Operating costs in the half year fell by $9.0m compared with the same period in 2014. This was due to lower revenues and the changing revenue mix, including lower hardware sales, and the sale of our retail energy-related assets by Enterprise, partially offset by higher operating and business development costs, particularly in Aviation.

EBITDA in the half year fell by $27.1m (-7.3%) to $342.7m (2014: $369.8m). The Group's EBITDA margin decreased to 55.6%, from 56.7% in 2014, partly reflecting the lower LightSquared revenue.

Depreciation and amortisation increased by $14.8m to $150.9m (2014: $136.1m) mainly reflecting the entry into service of I-5 F1 in July 2014. There was a gain of $9.3m from the disposal of SkyWave assets in the first quarter of 2015. Group operating profit fell by $32.1m to $202.2m (2014: $234.3m).

The net finance charge in the half year fell by $28.7m to $23.0m (2014: $51.7m), reflecting the lower interest rate on the Group's new Senior Notes issued in June 2014 relative to the Notes previously in issue, and a number of one-off factors. Profit before tax in the half year was $179.2m (2014: $182.6m).

The tax charge for the half year was $37.1m, an increase of $2.6m (2014: $34.5m) and the effective tax rate was 20.7% (2014: 18.9%). Profit after tax was $142.1m, compared to $148.1 m in the first half of 2014.

Group – Second Quarter

During the quarter ended 30 June 2015 Group revenue increased by $3.8m (+1.2%) to $311.4m (Q2 2014: $307.6m). This included $15.7m of additional revenue in respect of the LightSquared Cooperation Agreement.

Excluding the impact of LightSquared, Group revenue fell by $11.9m (-3.9%), with underlying growth in Enterprise (+$3.3m) and Aviation (+$7.0m) offset by the continuing slowdown in our Government business (-$10.1m), lower Maritime revenue (-$5.3m), the impact of the Enterprise disposal (-$2.8m), and lower Central Services revenue (-$4.0m). Wholesale MSS revenue grew by 4.8%.

Net operating costs in the quarter ended 30 June 2015 decreased by $2.0m, or 1.4%, compared with the same period in 2014. This is due to a combination of the changing revenue mix, the impact of the disposal, partially offset by higher business development costs.

EBITDA for the quarter ended 30 June 2015 increased by $5.8m (+3.6%) to $165.7m (Q2 2014: $159.9m). The EBITDA margin of 53.2% increased from 52.0% in the prior year, principally as a result of the higher LightSquared revenue.

Results by Business Unit

Maritime

($ in millions)	Three months ended 30 June 2015	2014	Increase/ (decrease)	Half Year ended 30 June 2015	2014	Increase/ (decrease)
Revenue	147.3	152.6	(3.5%)	297.1	300.8	(1.2%)
Operating costs	(33.5)	(37.7)	(11.1%)	(66.4)	(74.5)	(10.9%)
EBITDA	**113.8**	**114.9**	**(1.0%)**	**230.7**	**226.3**	**1.9%**
EBITDA margin %	***77.3%***	***75.3%***		***77.7%***	***75.2%***	
Depreciation and amortisation	(9.1)	(7.0)	30.0%	(17.6)	(15.0)	17.3%
Operating profit	**104.7**	**107.9**	**(3.0%)**	**213.1**	**211.3**	**0.9%**

Half Year 2015

Maritime revenue in the first half fell by $3.7m (-1.2%) to $297.1m (2014: $300.8m). However, FleetBroadband (FB) revenue grew strongly by (+20%) compared to the first half of 2014, and VSAT revenue increased by around 12% relative to the same period in 2014. FB and VSAT together generated 74% of Maritime's revenues in the first half of 2015. However the growth of these two services was offset by an accelerating decline in our older legacy MSS services, particularly Fleet (-53%), and by the decline in non-MSS revenues, with retail terminal sales revenue down by more than 50% year-on-year.

Operating costs for the half year fell by $8.1m (-10.9%) compared to 2014, partly reflecting the lower direct costs resulting from changing revenue mix.

EBITDA increased by $4.4m to $230.7m (+1.9%) compared to the prior year, reflecting the higher gross margin generated by FB revenue relative to legacy product margins, and the fall in low margin non-MSS revenue. As a consequence Maritime's EBITDA margin increased to 77.7% (2014: 75.2%).

Q2 2015

Maritime revenue in the quarter fell by $5.3m (-3.5%) to $147.3m (Q2 2014: $152.6m), with the growth of FB (+17%) and VSAT (+11%) being more than offset by the decline in Fleet (-55%) and in other legacy and low-margin products and services (-24%).

FB represented approximately 60% of total Maritime revenue in the quarter, compared to just under 50% in the same period last year. There were 41,689 FB users the end of the quarter, up by over 7% from 39,011 at the same time in 2014, and FB ARPU in the quarter grew by around 10% to just under $700/month. FB installations in the quarter were strong, and grew quarter-on-quarter, and ARPU remains on an upward trend, as customers migrate to higher value packages. FB year-on-year revenue growth slowed slightly in the second quarter, reflecting the surge last year in the migration of customers from our legacy services onto FB, stimulated by price increases. Only a rump of lower usage customers is now left on the Fleet service, which accounted for less than 7% of total Maritime revenue in the quarter, compared to 14% at the same time last year.

VSAT revenue growth (almost all XpressLink) was driven by new users, with almost 40 new installations per month in the quarter taking the total installed base to almost 2,200 ships at the end of the period. Growth slowed slightly, as we and the market began to anticipate the imminent availability of global GX services, but new customer commitments grew strongly quarter-on-quarter, creating a healthy order book of over six months of XpressLink/GX installations

FB, VSAT and Fleet together represented around 82% of total Maritime revenue in the quarter. The products and services accounting for the remaining 18% included other legacy I-3 MSS services (Inmarsat B, Inmarsat C, Mini-M, Chatcard), equipment (including FB terminals), and third-party products and services. These items in total had accounted for around 23% of maritime revenue in the second quarter of 2014, and declined by $9.0 million year-on-year. There were a number of factors

behind this, such as crews using social media to communicate, rather than the pre-paid voice call Chatcard, and broadband usage generally replacing other traditional services such as telex.

Maritime's operating costs in fell by $4.2m (-11.1%) compared with the same period in 2014, mainly reflecting the lower level of equipment sales.

Maritime EBITDA in the quarter decreased by $1.1m (-1.0%) compared with the same period in 2014, but the EBITDA margin increased to 77.7% from 75.2%, reflecting the higher gross margin generated by the increase in FB revenue in the mix, and the substantial decline in low margin non-MSS revenue.

Government

	Three months ended 30 June		Increase/	Half Year ended 30 June		Increase/
($ in millions)	2015	2014	(decrease)	2015	2014	(decrease)
Revenue	70.4	80.5	(12.5%)	137.2	160.0	(14.3%)
Operating costs	(24.0)	(26.9)	(10.8%)	(45.0)	(52.5)	(14.3%)
EBITDA	**46.4**	**53.6**	**(13.4%)**	**92.2**	**107.5**	**(14.2%)**
EBITDA margin %	***65.9%***	***66.6%***		***67.2%***	***67.2%***	
Depreciation and amortisation	(2.3)	(2.1)	9.5%	(4.5)	(4.4)	2.3%
Operating profit	**44.1**	**51.5**	**(14.4%)**	**87.7**	**103.1**	**(14.9%)**

Half Year 2015

Government revenue in the half year fell by $22.8m (-14.3%) to $137.2m (2014: $160.0m). Revenue in the US and other traditional customer countries continued to decline due to the combined impact of continued spending controls and reduced operational requirements. Revenue from the group of newer countries served, outside our traditional customer base, continued to grow.

Operating costs in the half year fell by $7.5m (-14.3%) to $45.0m (2014: $52.5m). Operating costs in both our US and non-US government businesses declined, mainly due to the lower revenue base, and as the expansion into new countries slowed, following the major investments in 2014.

Total Government EBITDA in the year fell by $15.3m (-14.2%) to $92.2m (2014: $107.5m) while the EBITDA margin remained flat at 67.2%.

Q2 2015

Government revenue in the quarter fell by $10.1m (-12.5%) to $70.4m (Q2 2014: $80.5m).

Revenue in the US was more resilient, with a slower rate of decline than in recent quarters across a range of product areas, including some aviation-based services, capacity leases, network services and some terminal equipment. There remains significant downward pressure on defence budgets and spending on commercial satellite services.

Our Government business revenue outside the US saw another quarter of decline, with lower spending by several large traditional customers, due to ongoing budgetary pressures and significantly reduced operational activity. There was continuing revenue growth in a number of the newer countries we serve, with equipment sales particularly strong here, which will drive higher MSS growth in the future. However sales were impacted in other new countries due to the strength of the US$

Operating costs in the quarter reduced by $2.9m (-10.8%), mainly reflecting the lower revenue base.

Government EBITDA in the quarter decreased by $7.2m (-13.4%) to $46.4m (Q2 2014: $53.6m) and the EBITDA margin contracted slightly to 65.9% (Q2 2014: 66.6%).

Enterprise

($ in millions)	Three months ended 30 June 2015	Three months ended 30 June 2014	Increase/ (decrease)	Half Year ended 30 June 2015	Half Year ended 30 June 2014	Increase/ (decrease)
Revenue	40.4	39.9	1.3%	79.3	84.3	(5.9%)
Operating costs	(14.0)	(16.4)	(14.6%)	(26.7)	(34.8)	(23.3%)
EBITDA	**26.4**	**23.5**	**12.3%**	**52.6**	**49.5**	**6.3%**
EBITDA margin %	***65.3%***	***58.9%***		***66.3%***	***58.7%***	
Depreciation and amortisation	(0.1)	(0.3)	(66.7%)	(0.2)	(0.6)	(66.7%)
Operating profit	**26.3**	**23.2**	**13.4%**	**52.4**	**48.9**	**7.2%**

Half Year 2015

Enterprise underlying revenue in the first half, excluding the impact of disposals, increased by $5.8m (+7.9%). Including the impact of these disposals, headline revenue fell by $5.0m (-5.9%) to $79.3m (2014: $84.3m). The disposals comprised various retail energy-related assets sold in February 2014 and in June 2014.

Operating costs decreased by $8.1m (-23.3%) compared to 2014, due to impact of the disposals.

Enterprise EBITDA in the first half increased by $3.1m (+6.3%) to $52.6m (2014: $49.5m) primarily reflecting the lower margin of the assets that were sold during the first half of 2014, which also drove the EBITDA margin up to 66.3% from 58.7% in the same period last year.

Q2 2015

Underlying revenue, excluding the assets disposed of in June 2014, grew by $3.3m (+8.9%). Headline revenue increased by $0.5m (+1.3%) to $40.4m (Q2 2014: $39.9m).

Enterprise MSS revenue grew strongly in the quarter, and included 45% growth in Enterprise FB and 25% growth in machine-to-machine (M2M) revenue. BGAN revenue grew by 5% in the quarter, reversing the recent trend and partly driven by demand from relief agencies in Nepal following the earthquake there in April. These three products together accounted for around 50% of total Enterprise revenue in the second quarter.

Sales of GSPS, comprising both terminals and airtime, represented over 20% of Enterprise total revenue in the quarter and grew by more than 10% compared to the same period last year, mainly due to the launch of the new IsatPhone 2. However GSPS sales slowed significantly at the end of the period, owing to a manufacturing issue which temporarily halted production of IsatPhone 2 devices (which are made by a third party). This will lead to lower GSPS revenue in the second half, as we return manufacturing to normal levels and restock the channel.

Legacy MSS and other non-MSS revenues, including equipment, declined slightly in the quarter, in line with recent trends across the whole of our business.

Operating costs in the quarter fell by 14.6% to $14.0m (2014: $16.4m) primarily reflecting the sale of the very low margin ground infrastructure asset in June 2014.

Enterprise EBITDA in the quarter increased by $2.9m (-12.3%) to $26.4m (Q2 2014: $23.5m) and the EBITDA margin expanded to 65.3%, from 58.9% in 2014.

Aviation

($ in millions)	Three months ended 30 June 2015	2014	Increase/ (decrease)	Half Year ended 30 June 2015	2014	Increase/ (decrease)
Revenue	30.8	23.8	29.4%	57.9	46.0	25.9%
Operating costs	(4.8)	(2.4)	100.0%	(9.6)	(4.1)	134.1%
EBITDA	**26.0**	**21.4**	**21.5%**	**48.3**	**41.9**	**15.3%**
EBITDA margin %	***84.7%***	***89.9%***		***83.4%***	***91.1%***	
Depreciation and amortisation	(0.5)	(0.5)	0.0%	(1.0)	(1.0)	0.0%
Operating profit	**25.5**	**20.9**	**22.0%**	**47.3**	**40.9**	**15.6%**

Half Year 2015

Aviation revenue for the half year grew by $11.9m (+25.9%) to $57.9m (2014: $46.0m), mainly driven by continuing growth of our SwiftBroadband (SB) service, in both the air transport and business & general aviation markets.

Operating costs increased by $5.5m to $9.6m (2014: $4.1m) due to higher employee related costs and business development costs, as Aviation increased headcount significantly and deployed additional resources to pursue major business opportunities in the commercial aviation market.

EBITDA increased by $6.4m (+15.3%) to $48.3m (2014: $41.9m). However the EBITDA margin decreased to 83.4% (2014: 91.1%) as a result of the increased headcount and associated business development costs.

Q2 2015

Revenue in the quarter grew by $7.0m (+29.4%) to $30.8m (Q2 2014: $23.8m). SwiftBroadband (SB) accounted for almost two-thirds of total Aviation revenues in the quarter and SB revenue grew by almost 50% compared to the second quarter of 2014. Our legacy Classic Aero service also grew, with revenue 13% higher than in the same period last year.

SB active SIMS grew by almost 33% to 6,409 at the end of the quarter, with around two-thirds of these installed in the Business and General aviation segment. Classic Aero active SIMS grew by just over 9% to 7,452 during the same period. SB ARPU in the second quarter grew by nearly 23% year-on-year to just over $1,000 per month. Classic Aero ARPU grew to approximately $350 per month.

Operating costs increased by $2.4m compared to the same period in 2014, due to the employee and other cost increases associated with pursuing the cabin connectivity opportunity.

EBITDA in the quarter increased by $4.6m (+21.5%) to $26.0m (Q2 2014: $21.4m) driven by growth in high margin SB and Classic Aero revenues. However the Aviation EBITDA margin fell to 84.7% (Q2 2014: 89.9%) due to increase in operating costs.

Central Services

($ in millions)	Three months ended 30 June 2015	2014	Increase/ (decrease)	Half Year ended 30 June 2015	2014	Increase/ (decrease)
Revenue						
LightSquared	17.5	1.8	872.2%	35.0	47.1	(25.7%)
Other	5.0	9.0	(44.4%)	9.7	14.1	(31.2%)
Total revenue	22.5	10.8	108.3%	44.7	61.2	(27.0%)
Operating costs	(69.4)	(64.2)	8.1%	(125.8)	(116.6)	7.9%
EBITDA	**(46.9)**	**(53.4)**	**12.2%**	**(81.1)**	**(55.4)**	**(46.4%)**
Depreciation and amortisation	(63.5)	(58.7)	8.2%	(127.6)	(115.1)	10.9%
Impairment losses	–	0.6	(100.0%)	–	(0.5)	(100.0%)
Other	0.5	0.6	(16.7%)	10.4	1.1	845.5%
Operating loss	**(109.9)**	**(110.9)**	**(1.1%)**	**(198.3)**	**(169.9)**	**16.7%**

Half Year 2015

Central Services revenues and EBITDA for the half year decreased by $16.5m, and $25.6m, respectively, due primarily to a decrease of $12.1m in revenue recognised from the LightSquared Cooperation Agreement.

Operating costs in the half year were $9.2m (7.9%) higher than last year (2014: $116.6) and depreciation and amortisation increased by $12.5m to $127.6m (2014: $115.1m) primarily resulting from our I-5 F1 satellite entering commercial service in July 2014 and therefore starting to be depreciated from this date.

Q2 2015

Operating costs increased by $5.2m (+8.1%) to $69.4m (Q2 2014: $64.2m). However this was more than offset by the increase of $15.7m in LightSquared revenue to $17.5m (Q2 2014: $1.8m) so that the EBITDA loss reduced by $6.5m to -$46.9m (Q2 2014: -$53.4m).

Reconciliation of operating profit to profit after tax

($ in millions)	Three months ended 30 June 2015	2014	Increase/ (decrease)	Half Year ended 30 June 2015	2014	Increase/ (decrease)
Operating profit	**90.7**	**92.6**	**(2.0%)**	**202.2**	**234.3**	**(13.7%)**
Net finance expense	(14.5)	(43.5)	(66.7%)	(23.0)	(51.7)	(55.5%)
Income tax expense	(16.9)	(7.2)	134.7%	(37.1)	(34.5)	7.5%
Profit after tax	**59.3**	**41.9**	**41.5%**	**142.1**	**148.1**	**(4.1%)**

Operating profit

As a result of the factors discussed above, operating profit for the half year was $202.2m, a decrease of $32.1m (-13.7%), compared with half year 2014.

Net finance income / (expense)

The net finance charge in the half year decreased by $28.7m to $23.0m (2014: $51.7m), reflecting the lower interest rate on the Group's new Senior Notes issued in June 2014 relative to the Notes previously in issue, and a number of one-off factors including the redemption premium and other costs payable on the refinancing of the Group's Senior Notes in the first half of 2014 (-$35.3m in total), and a reduction in the amount of interest capitalised as a result of our I-5 F1 satellite entering commercial service on 1 July 2014.

Income tax expense

The tax charge for the half year ended 30 June 2015 was $37.1m, an increase of $2.6m, or 7.5%, compared with the half year ended 30 June 2014. Included within the tax charge are non-recurring adjustments which, for the half year ended 30 June 2015, resulted in a tax charge of $0.3m compared to a tax credit of $0.6m for the half year ended 30 June 2014. If the effects of the above adjustments are removed, the effective tax rate for the half year ended 30 June 2015 was 20.5%, compared with 19.2% for the half year ended 30 June 2014.

This difference largely arises as, in the half year ended 30 June 2015, the group has both tax due in jurisdictions where the statutory tax rate is higher than the UK as well as non UK losses arising in other jurisdictions for which no benefit is recognised. For the half year ended 30 June 2014, the group was able to offset losses previously unrecognised against tax due in non UK jurisdictions which reduced the effective tax rate.

Profit after tax

As a result of the factors discussed above, profit after tax for the half year ended 30 June 2015 was $142.1m (2014: $148.1m), a decrease of $6.0m compared with the same period in 2014.

Cash Flow

	Three months ended 30 June		Half Year ended 30 June	
($ in millions)	2015	2014	2015	2014
EBITDA	165.7	159.9	342.7	369.8
Non-cash items	0.1	4.8	7.8	7.0
Change in working capital	4.8	(11.0)	12.7	(72.9)
Cash generated from operations	170.6	153.7	363.2	303.9
Capital expenditure	(152.1)	(109.4)	(240.8)	(205.1)
Net cash interest paid	(25.5)	(36.7)	(36.4)	(47.0)
Cash tax refunded / (paid)	(12.4)	3.0	10.7	(1.8)
Free cash flow	**(19.4)**	**10.6**	**96.7**	**50.0**
Acquisition of subsidiaries and other investments	–	–	–	(45.5)
Proceeds on disposal of assets	–	4.5	32.9	27.0
Dividends paid to shareholders	(136.0)	(142.1)	(136.0)	(142.1)
Other movement including foreign exchange	(1.6)	(0.5)	0.5	0.5
Net cash flow	**(157.0)**	**(127.5)**	**(5.9)**	**(110.1)**
Opening net borrowings	1,445.6	1,468.8	1,598.0	1,486.8
Net cash flow	157.0	127.5	5.9	110.1
Other	2.8	18.9	1.5	18.3
Closing net borrowings	**1,605.4**	**1,615.2**	**1,605.4**	**1,615.2**

During the half year, free cash flow was $46.7m more than in the same period in 2014 at $96.7m (2014: $50.0m). Cash generated from operations increased by $59.3m to $363.2m (2014: $303.9m). This increase is primarily due to the favourable movement in working capital of $85.6m, offset by the reduction of $27.1m in EBITDA. The movement in working capital includes the 2014 release of $42.1m of LightSquared deferred revenue to the income statement, the receipt of the proceeds from the sale of SkyWave, and a reduction in trade and other receivables.

Capital expenditure increased by $35.7m compared with the first half of 2014, primarily due to the timing of expenditure in relation to the Global Xpress programme.

Group Liquidity and Capital Resources

At 30 June 2015, the Group had cash and cash equivalents of $195.9m and available but undrawn borrowing facilities of $689.3m (Q1 2015: $958.1m) under our Senior Credit Facility and Ex-Im Bank Facilities. The reduction in the available but undrawn borrowing facilities was due to the fact that on

22 May 2015 the Group signed a five-year $500m revolving credit facility which amended and extended the existing $750m revolving credit facility which was due for renewal in June 2016.

The net cash outflow in the quarter resulted in an increase in net borrowings at the end of the quarter to $1,605.4m, from $1,445.6m at the start of the quarter. At the end of the second quarter of 2014 net borrowings was $1,615.2m.

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

Group Balance Sheet

The table below shows the condensed consolidated Group Balance Sheet:

($ in millions)	**As at 30 June 2015 (unaudited)**	**As at 31 December 2014 (audited)**	**As at 30 June 2014 (unaudited)**
Non-current assets	3,616.7	3,510.9	3,474.1
Current assets	550.7	591.0	517.4
Total assets	**4,167.4**	**4,101.9**	**3,991.5**
Current liabilities	(808.8)	(749.3)	(768.8)
Non-current liabilities	(1,921.3)	(1,921.8)	(1,901.1)
Total liabilities	**(2,730.1)**	**(2,671.1)**	**(2,669.9)**
Net assets	**1,437.3**	**1,430.8**	**1,321.6**

The increase in the Group's non-current assets of $105.8m since 31 December 2014 is largely due to our ongoing investment in the Global Xpress infrastructure and the development of our new S-Band programme that will deliver high-speed broadband services to Aviation customers across the European Union by the end of 2016. Over $200m was invested in these two programmes during the first half of 2015, offset by depreciation of $150.9m.

The net decrease in current assets of $40.3m (6.8%) since 31 December 2014 is mainly driven by the disposal of $32.9m SkyWave assets in January 2015, as well as a $8.4m reduction in trade and other receivables.

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.

Cyber Security

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 risks. We have implemented industry-standard security measures, and have steadily increased our investment in counter cyber threat tools and staff. Indirect evidence is that our counter measures have been effective given the experience gained in previous cyber events. However the nature and diversity of cyber threats has also changed, both in sophistication and number, so these measures may prove inadequate and could result in system failures and delays that could have a material adverse effect on our business, financial condition and results of operations.

Critical partners

Although we have wholly-owned distribution capabilities, 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 is owned by third parties, and we may inadvertently infringe upon their patents and proprietary rights.

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. In addition, in the future we may be faced with higher costs to acquire and retain spectrum.

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 and ground networks. 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 two major investment programmes, Global Xpress and an integrated hybrid satellite/terrestrial network to serve the European aviation market. These programmes include the deployment of a global network of Ka-band satellites and one S-band satellite. These programmes, which include 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 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 US federal budget sequestration, we have experienced a significant contraction in business from the US Government. Sequestration resulted in the implementation of spending controls by the US Government and a further increase in competition for our 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 L-band revenue to date, our Global Xpress business plan relies on a material revenue contribution from government customers and may also be affected. 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 I-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 I-5 F3 satellite is 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 this planned launch, 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 of 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. The Group's foreign exchange exposure to Sterling has been hedged for 2015. There is no assurance that in the results of operations would not be affected by fluctuations of the US Dollar against other currencies.

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.

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.

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the half year ended 30 June 2015 (unaudited)

	Three months ended 30 June		Half year ended 30 June	
($ in millions)	2015	2014	2015	2014
Revenues	**311.4**	**307.6**	**616.2**	**652.3**
Employee benefit costs	(66.6)	(60.0)	(129.4)	(115.5)
Network and satellite operations costs	(47.5)	(55.1)	(92.5)	(106.0)
Other operating costs	(40.8)	(40.9)	(70.6)	(76.6)
Own work capitalised	9.2	8.3	19.0	15.6
Total operating costs	**(145.7)**	**(147.7)**	**(273.5)**	**(282.5)**
EBITDA	**165.7**	**159.9**	**342.7**	**369.8**
Depreciation and amortisation	(75.5)	(68.5)	(150.9)	(136.1)
Gain/(loss) on disposal of assets	–	(0.2)	9.3	(0.2)
Impairment losses	–	0.6	–	(0.5)
Share of profit of associates	0.5	0.8	1.1	1.3
Operating profit	**90.7**	**92.6**	**202.2**	**234.3**
Finance income	0.1	5.7	1.4	6.6
Finance expense	(14.6)	(49.2)	(24.4)	(58.3)
Net finance expense	(14.5)	(43.5)	(23.0)	(51.7)
Profit before income tax	**76.2**	**49.1**	**179.2**	**182.6**
Income tax expense	(16.9)	(7.2)	(37.1)	(34.5)
Profit after tax	**59.3**	**41.9**	**142.1**	**148.1**
Attributable to:				
Equity holders	**59.2**	**41.7**	**141.9**	**147.8**
Non-controlling interest	**0.1**	**0.2**	**0.2**	**0.3**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2015 (unaudited)

($ in millions)	Three months ended 30 June 2015	Three months ended 30 June 2014	Half year ended 30 June 2015	Half year ended 30 June 2014
Profit after tax	**59.3**	**41.9**	**142.1**	**148.1**
Other comprehensive income				
Amounts subsequently reclassified to the Income Statement:				
Gain on remeasurement of available-for-sale financial asset reclassified to the Income Statement	–	–	(9.4)	–
Foreign exchange translation differences	0.1	–	(0.1)	0.1
Net gains/(losses) on cash flow hedges	4.6	1.7	2.1	(0.3)
Tax credited directly to equity	(0.7)	–	1.0	0.2
Amounts not subsequently reclassified to the Income Statement:				
Actuarial losses from pension and post-employment benefits	(0.6)	(3.6)	(0.6)	(4.0)
Tax credited directly to equity	0.1	0.7	0.1	0.7
Other comprehensive income for the period, net of tax	**3.5**	**(1.2)**	**(6.9)**	**(3.3)**
Total comprehensive income for the period, net of tax	**62.8**	**40.7**	**135.2**	**144.8**
Attributable to:				
Equity holders	**62.7**	**40.5**	**135.0**	**144.5**
Non-controlling interest	**0.1**	**0.2**	**0.2**	**0.3**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 30 June 2015

($ in millions)	As at 30 June 2015 (unaudited)	As at 31 December 2014 (audited)	As at 30 June 2014 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	2,759.1	2,649.4	2,590.0
Intangible assets	794.1	799.6	808.4
Investments	11.3	10.8	33.6
Other receivables	22.9	24.4	22.1
Deferred income tax assets	29.3	26.7	17.8
Derivative financial instruments	–	–	2.2
	3,616.7	**3,510.9**	**3,474.1**
Current assets			
Cash and cash equivalents	195.9	202.7	136.9
Trade and other receivables	308.7	317.1	315.6
Inventories	35.3	28.4	43.7
Current income tax assets	9.4	8.5	12.2
Derivative financial instruments	1.4	1.4	9.0
Assets held for sale	–	32.9	–
	550.7	**591.0**	**517.4**
Total assets	**4,167.4**	**4,101.9**	**3,991.5**
Liabilities			
Current liabilities			
Borrowings	131.8	118.1	96.8
Trade and other payables	562.9	545.6	549.5
Provisions	4.2	3.4	3.3
Current income tax liabilities	107.6	77.2	118.9
Derivative financial instruments	2.3	5.0	0.3
	808.8	**749.3**	**768.8**
Non-current liabilities			
Borrowings	1,669.5	1,682.6	1,655.3
Other payables	25.1	25.6	27.4
Provisions	22.9	27.2	24.1
Deferred income tax liabilities	203.8	186.4	194.3
	1,921.3	**1,921.8**	**1,901.1**
Total liabilities	**2,730.1**	**2,671.1**	**2,669.9**
Net assets	**1,437.3**	**1,430.8**	**1,321.6**
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	417.8	406.2	404.0
Retained earnings	341.0	346.3	239.3
Equity attributable to shareholders	**1,436.6**	**1,430.3**	**1,321.1**
Non-controlling interest	**0.7**	**0.5**	**0.5**
Total equity	**1,437.3**	**1,430.8**	**1,321.6**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2015

($ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital Contribution Reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2014 (audited)	**0.4**	**677.4**	**63.4**	**8.6**	**0.6**	**0.2**	**327.8**	**236.3**	**0.3**	**1,315.0**
Share options charge	–	–	3.4	–	–	–	–	0.6	–	4.0
Dividends paid	–	–	–	–	–	–	–	(142.1)	–	(142.1)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	147.8	0.3	148.1
Other comprehensive income – before tax	–	–	–	(0.3)	–	0.1	–	(4.0)	–	(4.2)
Other comprehensive income – tax	–	–	–	0.2	–	–	–	0.7	–	0.9
Balance at 30 June 2014 (unaudited)	**0.4**	**677.4**	**66.8**	**8.5**	**0.6**	**0.3**	**327.8**	**239.3**	**0.5**	**1,321.6**
Balance at 1 January 2015 (audited)	**0.4**	**677.4**	**71.8**	**(1.6)**	**8.6**	**(0.4)**	**327.8**	**346.3**	**0.5**	**1,430.8**
Share options charge	–	–	5.6	–	–	–	–	1.7	–	7.3
Dividends paid	–	–	–	–	–	–	–	(136.0)	–	(136.0)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	141.9	0.2	142.1
Other comprehensive income – before tax	–	–	–	2.1	(9.4)	(0.1)	–	(0.6)	–	(8.0)
Other comprehensive income – tax	–	–	–	(0.4)	1.4	–	–	0.1	–	1.1
Balance at 30 June 2015 (unaudited)	**0.4**	**677.4**	**77.4**	**0.1**	**0.6**	**(0.5)**	**327.8**	**353.4**	**0.7**	**1,437.3**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT
For the half year ended 30 June 2015 (unaudited)

($ in millions)	Three months ended 30 June 2015	Three months ended 30 June 2014	Half year ended 30 June 2015	Half year ended 30 June 2014
Cash flow from operating activities				
Cash generated from operations	170.6	153.7	363.2	303.9
Interest received	0.3	–	0.9	0.4
Income taxes refunded/(paid)	(12.4)	3.0	10.7	(1.8)
Net cash inflow from operating activities	**158.5**	**156.7**	**374.8**	**302.5**
Cash flow from investing activities				
Purchase of property, plant and equipment	(140.0)	(90.8)	(209.9)	(173.4)
Additions to capitalised development costs and other intangibles	(4.0)	(11.3)	(10.4)	(15.9)
Own work capitalised	(8.1)	(7.3)	(20.5)	(15.8)
Acquisition of subsidiaries and other investments	–	–	–	(45.5)
Proceeds on disposal of assets	–	4.5	32.9	27.0
Net cash used in investing activities	**(152.1)**	**(104.9)**	**(207.9)**	**(223.6)**
Cash flow from financing activities				
Dividends paid to shareholders	(136.0)	(142.1)	(136.0)	(142.1)
Repayment of EIB Facility	(25.7)	(25.7)	(25.7)	(25.7)
Drawdown of Ex-Im Bank Facilities	–	8.5	46.8	15.4
Repayment of Ex-Im Bank Facilities	–	–	(24.8)	–
Redemption of Senior Notes due 2017	–	(882.8)	–	(882.8)
Gross issuance proceeds of Senior Notes due 2022	–	991.9	–	991.9
Interest paid on borrowings	(25.8)	(36.7)	(37.3)	(47.4)
Arrangement costs of financing	(2.9)	(8.7)	(3.3)	(8.9)
Intercompany funding	–	13.0	–	13.0
Other financing activities	0.5	0.4	0.9	0.8
Net cash used in financing activities	**(189.9)**	**(82.2)**	**(179.4)**	**(85.8)**
Foreign exchange adjustment	(1.3)	-	0.5	0.5
Net decrease in cash and cash equivalents	**(184.8)**	**(30.4)**	**(12.0)**	**(6.4)**
Cash and cash equivalents				
At beginning of the period	375.5	163.2	202.7	139.2
Net decrease in cash and cash equivalents	(184.8)	(30.4)	(12.0)	(6.4)
At end of the period (net of bank overdrafts)	**190.7**	**132.8**	**190.7**	**132.8**
Comprising:				
Cash at bank and in hand	64.0	40.4	64.0	40.4
Short-term deposits with original maturity of less than three months	131.9	96.5	131.9	96.5
Bank overdrafts	(5.2)	(4.1)	(5.2)	(4.1)
Cash and cash equivalents at end of the period	**190.7**	**132.8**	**190.7**	**132.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The principal activity of Inmarsat Group Limited and its subsidiaries (together, the "Group") is the provision of mobile satellite communications services ("MSS").

The Group's financial results are not subject to significant seasonal trends.

These unaudited consolidated interim financial results have been approved by the Board of Directors for issue on 6 August 2015.

The financial information presented in this release for the year ended 31 December 2014 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Principal accounting policies

Basis of preparation
The unaudited consolidated financial results for the half year ended 30 June 2015 have been prepared using International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's most recent annual consolidated financial statements, which are for the year ended 31 December 2014 and which are available on our website at www.inmarsat.com. Except as described below, the condensed consolidated financial statements are based upon accounting policies and methods consistent with those in the Group's 2014 annual consolidated financial statements prepared under IFRS, set out on pages 88 to 130. Operating results for the half year ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. The consolidated Balance Sheet as at 31 December 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

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

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

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

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

3. Segment information

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

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

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

These five business units are supported by "Central Services" which includes satellite operations and backbone infrastructure, corporate administrative costs, and all other income that is not directly attributable to the individual business units. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS8. Therefore, the Group's reportable segments are Maritime, Enterprise, Aviation, Government and Central Services.

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

The tables below represent segmental information based on the revised basis with half year ended 30 June 2014 restated accordingly.

Segment information:

($ in millions)	Three months ended 30 June 2015	Three months ended 30 June 2014	Half year ended 30 June 2015	Half year ended 30 June 2014
Revenues				
Maritime	147.3	152.6	297.1	300.8
Government	70.4	80.5	137.2	160.0
Enterprise[1]	40.4	39.9	79.3	84.3
Aviation	30.8	23.8	57.9	46.0
Central Services[2]	22.5	10.8	44.7	61.2
Total segment revenues	**311.4**	**307.6**	**616.2**	**652.3**
Operating profit				
Maritime	104.7	107.9	213.1	211.3
Government	44.1	51.5	87.7	103.1
Enterprise[1]	26.3	23.2	52.4	48.9
Aviation	25.5	20.9	47.3	40.9
Central Services[2]	(109.9)	(110.9)	(198.3)	(169.9)
Total segment operating profit	**90.7**	**92.6**	**202.2**	**234.3**
Unallocated				
Net finance expense	(14.5)	(43.5)	(23.0)	(51.7)
Profit before income tax	**76.2**	**49.1**	**179.2**	**182.6**
Income tax expense	(16.9)	(7.2)	(37.1)	(34.5)
Profit after tax	**59.3**	**41.9**	**142.1**	**148.1**
Capital expenditure[3]				
Maritime	(3.0)	6.8	2.9	15.5
Government	0.4	0.6	1.2	3.6
Enterprise[1]	0.1	1.7	0.3	2.6
Aviation	28.5	26.4	42.4	26.7
Central Services[2]	109.4	77.9	208.9	170.3
Total capital expenditure	**135.4**	**113.4**	**255.7**	**218.7**

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

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

[3] Capital expenditure is stated using accruals basis.

4. Net finance expense

($ in millions)	Three months ended 30 June 2015	Three months ended 30 June 2014	Half year ended 30 June 2015	Half year ended 30 June 2014
Interest on Senior Notes and credit facilities	(18.8)	(23.7)	(38.1)	(46.2)
Unwinding of discount on deferred satellite liabilities	(0.3)	(0.4)	(0.5)	(0.8)
Amortisation of debt issue costs	(3.0)	(9.6)	(4.7)	(11.6)
Amortisation of discount on Senior Notes due 2022	(0.3)	(0.1)	(0.6)	(0.1)
Redemption premium on Senior Notes due 2017	–	(32.8)	–	(32.8)
Pension and post-employment liability finance costs	–	(0.1)	–	(0.2)
Intercompany interest payable	(1.0)	(0.9)	(2.0)	(1.6)
Other interest	(0.1)	(0.2)	(1.8)	(0.3)
Finance expense	**(23.5)**	**(67.8)**	**(47.7)**	**(93.6)**
Less: Amounts capitalised in the cost of qualifying assets	8.9	18.6	23.3	35.3
Total finance expense	**(14.6)**	**(49.2)**	**(24.4)**	**(58.3)**
Bank interest receivable and other interest	0.1	0.1	1.2	0.6
Net amortisation of premium on Senior Notes due 2017	–	5.6	–	6.0
Pension and post-employment liability finance income	–	–	0.2	–
Total finance income	**0.1**	**5.7**	**1.4**	**6.6**
Net finance expense	**(14.5)**	**(43.5)**	**(23.0)**	**(51.7)**

5. Net Borrowings

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

($ in millions)	As at 30 June 2015 Amount	Deferred finance costs	Net balance	As at 31 December 2014 Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	5.2	–	5.2	–	–	–
Deferred satellite payments	3.3	–	3.3	5.9	–	5.9
EIB Facility[1]	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities[2]	79.2	–	79.2	68.1	–	68.1
Total current borrowings	**131.8**	–	**131.8**	**118.1**	–	**118.1**
Non-current:						
Deferred satellite payments	15.8	–	15.8	17.4	–	17.4
Senior Notes due 2022[3]	1,000.0	(7.9)	992.1	1,000.0	(8.7)	991.3
– Net issuance discount	(7.0)	–	(7.0)	(7.6)	–	(7.6)
EIB Facility[1]	106.4	(0.5)	105.9	132.1	(0.6)	131.5
Ex-Im Bank Facilities[2]	579.8	(17.1)	562.7	568.9	(18.9)	550.0
Total non-current borrowings	**1,695.0**	**(25.5)**	**1,669.5**	**1,710.8**	**(28.2)**	**1,682.6**
Total Borrowings[4]	**1,826.8**	**(25.5)**	**1,801.3**	**1,828.9**	**(28.2)**	**1,800.7**
Cash and cash equivalents	(195.9)	–	(195.9)	(202.7)	–	(202.7)
Net Borrowings	**1,630.9**	**(25.5)**	**1,605.4**	**1,626.2**	**(28.2)**	**1,598.0**

1. This facility matures on 30 April 2018 and became repayable in equal annual instalments on both tranches with effect from 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.
2. During 2014, the Group signed a 7-year $185.9m direct financing agreement with Ex-Im Bank. The facility has a total availability period of two years and will then be repayable in equal semi-annual instalments over a further 5 years. Drawings under the facility incur interest at a fixed rate of 1.96% for the life of the loan. In addition, the $700.0m facility signed in 2011 is available for four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.
3. On 4 June 2014, the Group issued $1 billion aggregate principal amount of 4.875% Senior Notes due in 2022 ("Senior Notes due 2022"). The aggregate gross proceeds were $992.1m, net of $7.9m issuance discount.
4. On 22 May 2015, the Group signed a five-year $500.5m revolving credit facility ("Senior Credit Facility"). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 0.70% and 1.70% determined by reference to the ratio of net debt to EBITDA. As at 30 June 2015, there were no drawings on the Senior Credit Facility.

6. Financial instruments fair value disclosures

The Group held financial instruments at fair value at 30 June 2015, as set out below. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

($ in millions)	As at 30 June 2015	As at 31 December 2014
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.4	1.4
	1.4	1.4
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	2.2	4.5
Forward foreign currency contracts – undesignated	0.1	0.5
	2.3	5.0

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

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

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

	As at 30 June 2015		As at 31 December 2014	
($ in millions)	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	967.5	1,000.0	992.5
Ex-Im Bank Facilities	659.0	678.3	637.0	637.0

7. Contingent liability

In the ordinary course of business, the Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage and other sanctions. These matters are inherently difficult to quantify. During the quarter all material unprovided items that HMRC were making enquiries into were satisfactorily resolved at no cost to the company.

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

8. Disposal groups

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

USE OF NON-GAAP FINANCIAL INFORMATION

Non-IFRS Measures

In addition to International Financial Reporting Standards ("IFRS") measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-IFRS measures are given, this is clearly indicated and the comparable IFRS measure is also given. However, non-IFRS measures presented are not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

Net Borrowings

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

Free Cash Flow

We define free cash flow ("FCF") as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with, IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to profit for the period and operating profit as a measure of our performance and net cash generated from operating activities as a measure of our liquidity, or any other performance measures derived in accordance with IFRS.

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

EBITDA

We define EBITDA as profit before interest, taxation, depreciation and amortisation, loss on disposal of assets, acquisition-related adjustments, impairment losses and share of profit of associates. EBITDA and the related ratios are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS.

We believe EBITDA, among other measures, facilitates operating performance comparisons from period to period and management decision-making.

Underlying performance

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

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