Press release

Inmarsat plc Reports Preliminary Full Year Results 2012

London, UK: 7 March 2013. Inmarsat plc (LSE: ISAT.L), the leading provider of global mobile satellite communications services, today reported consolidated preliminary financial results for the year ended 31 December 2012.

Inmarsat plc – Full Year 2012 Highlights

- Total revenue (excluding LightSquared) $1,278m up 6% (2011: $1,205m)
- EBITDA (excluding LightSquared) $643m (2011: $662m)
- Profit before tax $294m (2011: $367m)
- Final dividend of 27.45 cents US$, up 10%
- Wholesale MSS revenues up 2.5%
- Wholesale maritime MSS revenues up 15%
- Total MSS active terminals up 14%
- Strong service take-up: FleetBroadband, XpressLink, IsatPhone Pro
- Confidence in Global Xpress programme

Inmarsat Group Limited - Fourth Quarter Highlights

- Inmarsat Global MSS revenues $184m up 4% (2011: $178m)
- Inmarsat Solutions revenues $208m up 6% (2011: $196m)
- Total EBITDA (excluding LightSquared) $150m (2011: $154m)

Rupert Pearce, Inmarsat's Chief Executive Officer, said, "We are making progress across a range of activities that strengthen our core franchise and bring us closer to addressing new markets with our Global Xpress services. We are pleased with the improved results from our core MSS business and we are confident in reiterating all of our existing revenue growth targets. At the same time, significant technical and commercial progress with our Global Xpress programme means we expect to begin network deployment in 2013 as planned."

Inmarsat plc

(US$ in millions)	**2012**	**2011**	**Increase/ (decrease)**
Inmarsat Global – MSS revenue	738.0	720.3	2.5%
Inmarsat Global – Other Income (including LightSquared)	97.9	238.1	(58.9%)
Inmarsat Solutions	810.3	758.2	6.9%
	1,646.2	1,716.6	(4.1%)
Intercompany eliminations and adjustments	(308.4)	(308.1)	
Total revenue	**1,337.8**	**1,408.5**	**(5.0%)**

Inmarsat Global

(US$ in millions)	2012	2011	Increase/ (decrease)
Maritime voice services	79.7	90.2	(11.6%)
Maritime data services	331.5	268.7	23.4%
Total maritime sector	411.2	358.9	14.6%
Land mobile voice services	14.3	7.7	85.7%
Land mobile data services	118.1	144.0	(18.0%)
Total land mobile sector	132.4	151.7	(12.7%)
Aviation sector	100.8	99.5	1.3%
Leasing	93.6	110.2	(15.1%)
Total MSS revenue	738.0	720.3	2.5%
Other income (including LightSquared)	97.9	238.1	(58.9%)
Total revenue	**835.9**	**958.4**	**(12.8%)**

Maritime

Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in January and May 2012 and increased take-up and usage of our FleetBroadband terminals. During the year we saw significant migration of end users from usage-based pricing plans to subscription-based plans with higher monthly fees and inclusive usage. At the end of the year we estimate that nearly half of our FleetBroadband revenues now come from recurring customer subscriptions. We have also seen strong terminal activations and increasing average revenue per user ("ARPU"). During 2012, we added 7,980 FleetBroadband subscribers of which 1,547 were added in the fourth quarter. Despite the overall revenue growth reported, customer migration to FleetBroadband from certain older services continues to be a constraint on our rate of revenue growth as the price of FleetBroadband services is typically substantially lower than the price of equivalent services on the terminals being replaced.

We have continued to see maritime voice revenues being negatively impacted by product mix changes as users transition from our older services to our FleetBroadband service where the price of voice services is lower and also by the substitution effect of voice usage moving to email and Voice Over IP.

During the year we also saw encouraging take-up of our XpressLink service, our hybrid L- and Ku-band maritime service that will transition customers to Global Xpress. While 2012 was the first year of availability, XpressLink has gained rapid market acceptance and has allowed us to increase our share in the maritime VSAT market. At the end of the year we had an installed base of 1,186 ships using our VSAT services, including more than 330 ships using XpressLink. Revenue generated by new XpressLink customers impacts revenue and margin reported at both the Inmarsat Global (wholesale) and Inmarsat Solutions (retail) reporting segments.

Land mobile

In the land mobile sector, the expected decline in data revenues is due to the combination of troop withdrawals from Afghanistan and the comparative impact of significant event revenue in 2011. We estimate that Afghanistan and events in North Africa and Japan in 2011 contributed US$30m more revenue year-over-year, compared with 2012, of which approximately US$4m more revenue was in the fourth quarter 2011. Underlying growth in land data revenue, excluding Afghanistan and other events was positive and driven by growth in the number of BGAN subscribers. During the fourth quarter 2012 we added 1,326 BGAN subscribers.

Voice revenue in our land mobile sector increased due to growth in revenues from our IsatPhone Pro service. Take-up of the IsatPhone Pro service has remained strong and we ended the year with over 84,000 active subscribers and saw net additions of over 13,000 subscribers during the fourth quarter. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth.

Aviation and Leasing

The increase in aviation revenue was driven by strong growth in revenues from our SwiftBroadband service, offset by a decline in Swift 64 revenues, due to lower usage by certain government customers, including usage related to reduced activity in Afghanistan. Our aviation business continues to see take-up for passenger connectivity services and we ended the year with 236 aircraft equipped for such services, including 138 using SwiftBroadband.

The decrease in leasing revenue was in line with management expectations and predominantly due to a reduction in revenue from certain government maritime contracts. In addition and as planned, certain Inmarsat-B leases were not renewed in connection with our Cooperation Agreement with LightSquared.

Inmarsat Solutions

(US$ in millions)	**2012**	**2011**	**Increase/ (decrease)**
Inmarsat MSS	400.5	423.4	(5.4%)
Broadband and Other MSS	409.8	334.8	22.4%
Total revenue	**810.3**	**758.2**	**6.9%**

The decrease in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by a combination of lower leasing revenue and by lower BGAN revenue arising from Afghanistan and other world events year-over-year. As Inmarsat Solutions has a disproportionately higher share of both our leasing and BGAN business, the lower revenues from these business lines gave rise to an overall decrease in revenue, even though Inmarsat Solutions benefited from strong growth in maritime revenues and other factors that contributed to an overall increase in MSS revenue at the wholesale level.

In addition, growth in maritime MSS revenue at Inmarsat Solutions lagged the growth reported at the Inmarsat Global level as effective wholesale price increases, resulting from the elimination of certain volume discounts in January 2012, were not wholly passed on by Inmarsat Solutions to end users. As a result, certain price increases at the Inmarsat Global wholesale level did not result in equivalent revenue increases at the Inmarsat Solutions retail level.

The increase in Broadband and Other MSS revenue was due to increased revenues in our Inmarsat Government business unit from growth in network services and equipment sales and the inclusion of our Ship Equip acquisition for the full year in 2012 compared to the period from 28 April to 31 December in 2011.

EBITDA

EBITDA excluding LightSquared declined in 2012 due primarily to reduced margin at the Inmarsat Solutions retail level and increased operating costs for Global Xpress at the Inmarsat Global wholesale level. Changes in margin at Inmarsat Solutions were due to a range of factors including the impact of pricing changes at the wholesale level and the take-up of services such as XpressLink.

Outlook

Despite on-going uncertainty in the macroeconomic environment, we are seeing continued growth momentum in our key MSS services of FleetBroadband, SwiftBroadband and IsatPhone Pro. Growth in revenue from these services is the result of both increased subscriber numbers and higher ARPUs. With the continuation of these trends we would expect organic new revenue growth to outpace the expected loss of revenue from the on-going withdrawal of troops from Afghanistan. As a result, we remain confident that we will report net revenue growth in 2013 in our Inmarsat Global MSS business. We believe our existing medium-term revenue targets continue to reflect our expectations for the performance of the group and these are therefore reiterated and unchanged.

We remain highly confident in the Global Xpress opportunity and pleased by our technical and commercial progress to-date. We remain on track for a first satellite deployment before the end of the year and the completion of global coverage in 2014. Our expectations as to total programme capital costs remain unchanged at $1.2bn. We also expect the launch of Alphasat, our latest L-band satellite, to occur in the third quarter of 2013.

Across all our investment and maintenance programmes, we expect our 2013 capital expenditure on a cash basis to be in the range of $575m to $625m.

Liquidity

At 31 December 2012, the Inmarsat plc group had net borrowings of $1,520m, made up of cash and cash equivalents of $332m and total borrowings of $1,852m. Including cash and available but undrawn borrowing facilities, the group had total available liquidity of $1,384m. We remain fully-funded as to all our capital needs for the foreseeable future.

Our Financial Reports

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. We expect that a copy of the full year 2012 results for Inmarsat Group Limited will be posted to our website on or before 30 April 2013.

To assist analysts and investors in their understanding of the results announced today, the following unaudited tables for Inmarsat Group Limited for the fourth quarter are provided below.

Inmarsat Global

(US$ in millions)	Three months ended 31 December 2012	2011	Increase/ (decrease)
Maritime voice services	18.7	21.7	(13.8%)
Maritime data services	86.6	69.4	24.8%
Total maritime sector	**105.3**	**91.1**	**15.6%**
Land mobile voice services	5.1	2.2	131.8%
Land mobile data services	26.8	32.2	(16.8%)
Total land mobile sector	**31.9**	**34.4**	**(7.3%)**
Aviation sector	27.1	24.3	11.5%
Leasing	20.1	27.9	(28.0%)
Total mobile satellite services	**184.4**	**177.7**	**3.8%**
Other income	11.9	62.9	(81.1%)
Total revenue	**196.3**	**240.6**	**(18.4%)**

Inmarsat Solutions

(US$ in millions)	Three months ended 31 December 2012	2011	Increase/ (decrease)
Inmarsat MSS	97.9	101.1	(3.2%)
Broadband and other MSS	110.3	95.0	16.1%
Total revenue	**208.2**	**196.1**	**6.2%**

Other Information

Inmarsat management will host a presentation of the results on Thursday, 7 March at Inmarsat's offices, 99 City Road, London EC1Y 1AX. The presentation will begin at 9:30am London time, (EST 4:30am). A live webcast of the presentation will also be available through our website.

To register to attend the results presentation please contact Angela Gunnis at Inmarsat on +44 (0)20 7728 1206, or angela.gunnis@inmarsat.com.

Inmarsat management will also host a results conference call at 2:00pm London time, (EST 9:00am) on Thursday, 7 March. To access the call please dial +44 (0)20 7136 2050 and quote conference id 3524695. The call will also be available via a live webcast accessible through our website. A replay of the call will be available for one week after the event. To access the recording please dial +44 (0)20 3427 0598 and enter access code 3524695.

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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INMARSAT PLC

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS
For the year ended 31 December 2012

Forward-Looking Statements

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” or, in each case, their negative and words of similar meaning are forward-looking.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group’s actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the Group’s Annual Report for the year ended 31 December 2011, which can be accessed via our website at www.inmarsat.com.

As a consequence, the Group’s future financial condition, results of operations and cash flows, as well as the development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on the Group’s behalf.

Non-IFRS Measures

In addition to International Financial Reporting Standards (“IFRS”) measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-IFRS measures are given, this is clearly indicated and the comparable IFRS measure is also given.

Net Borrowings

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

Free Cash Flow

We define free cash flow (“FCF”) as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. Other companies may define FCF differently and, as a result, our measure of FCF may not be directly comparable to the FCF of other companies.

FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to profit for the period and operating profit as a measure of our performance and net cash generated from operating activities as a measure of our liquidity, or any other performance measures derived in accordance with IFRS.

We believe FCF is an important financial measure for use in evaluating our financial performance and liquidity, which measures our ability to generate additional cash from our business operations. We believe it is important to view FCF as a measure that provides supplemental information to our entire 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. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.

EBITDA and the related ratios are supplemental measures of our performance and liquidity under IFRS that are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS.

We believe EBITDA among other measures facilitates operating performance comparisons from period to period and management decision-making. It also facilitates operating performance comparisons from company to company. EBITDA eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of tangible and intangible assets (affecting relative depreciation and amortisation expense). We also present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, the vast majority of which present EBITDA when reporting their results.

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Responsibility Statement

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2012. Certain parts thereof are not included within this Announcement.

The Directors confirm to the best of their knowledge that:

a) the Group consolidated financial statements from which the financial information within these preliminary consolidated financial results have been extracted, are prepared in accordance with IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

b) the Annual Report and the Operating and Financial Review include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.

The Directors of Inmarsat plc and their respective responsibilities are listed in the Annual Reports for 2011 (listed on our website at www.inmarsat.com) and 2012. There have been no changes in the year. This responsibility statement was approved by the Board of Directors on 7 March 2013 and is signed on its behalf by:

Rupert Pearce
Chief Executive Officer
7 March 2013

Rick Medlock
Chief Financial Officer
7 March 2013

Operating and Financial Review

The following is a discussion of the audited consolidated results of operations and financial condition of Inmarsat plc (the "Company" or together with its subsidiaries, the "Group") for the year ended 31 December 2012. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Overview

Inmarsat is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating an L-band satellite-based network. With an in-orbit fleet of 10 owned and operated geostationary satellites, our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and video conferencing. Our Inmarsat Solutions business, comprising our direct and indirect distribution business, offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of global and regional satellite system operators, predominantly the Inmarsat satellite system, and through owned and operated microwave and satellite telecommunications facilities.

In addition to our established L-band satellite services business, we are implementing our Global Xpress ("GX") programme, a US$1.2 billion investment project. GX will offer seamless global coverage and deliver services with MSS broadband speeds of up to 50 Mbps for users in the government, maritime, energy, enterprise and aviation sectors. GX services will be supported by a constellation of three Ka-band satellites, the Inmarsat-5 satellites, being built by Boeing Space and Intelligence Systems. The first of these satellites is scheduled for launch in 2013 with global coverage to be completed by the end of 2014.

The Group's revenues for the year ended 31 December 2012 were US$1,337.8m (2011: US$1,408.5m), EBITDA was US$694.7m (2011: US$854.4m) and operating profit was US$346.4m (2011: US$466.5m). The results of the Group's operations are reported in US Dollars as the majority of our revenues and borrowings are denominated in US Dollars.

Vertical Market Reorganisation

On 3 January 2012, we announced a new organisational structure for our Inmarsat Solutions business that aligns its operations more closely to our core vertical market segments and strengthens our ability to support our direct and indirect distribution channels.

With the reorganisation, Inmarsat Solutions became responsible for our global direct and indirect sales, marketing and delivery, and operates through four market-facing business units:

- Inmarsat Maritime, focusing on worldwide commercial maritime opportunities;
- Inmarsat Government, focusing on US government opportunities, both military and civil;
- Inmarsat Global Government, focusing on worldwide (i.e. non-US) civil and military government opportunities; and
- Inmarsat Enterprise, focusing on worldwide energy, industry, media, carriers, commercial aviation and machine-to-machine ("M2M") opportunities.

The former Stratos, Segovia and Ship Equip operations are now providing their services within the relevant business units, and are using the 'Inmarsat' brand name. As the new business units continue to separately address wholesale and retail sales activities, the reorganisation has had no impact on our two primary reporting segments, Inmarsat Global and Inmarsat Solutions. However, during the course of 2013 we expect to make changes to the presentation of our financial results, so that the revenue analysis for Inmarsat Solutions is more closely aligned to the business unit structure. We expect these reporting changes to be implemented by the time of our first quarter Interim Management Statement. We believe these changes will also be helpful to analysts and investors and allow for a better understanding of operational trends within our Inmarsat Solutions reporting segment.

Acquisition of NewWave Broadband Limited

Following on from our acquisition of Ship Equip in April 2011, on 13 January 2012, we acquired 100% of the outstanding shares of NewWave Broadband Limited ("NewWave") for a total cash consideration of US$7.7m (net of cash acquired). NewWave sources and manages satellite capacity exclusively for Ship Equip, as well as providing maintenance services for certain Ship Equip network assets. The operations of NewWave have been integrated within our Inmarsat Solutions business.

Global Xpress Programme Update

Our Global Xpress ("GX") programme remains on budget and we expect to launch the first satellite in 2013 and complete full deployment of the network by the end of 2014.

In March 2012, we completed the placement of launch and in-orbit insurance covering the launch and the first year in-orbit of our Inmarsat-5 satellites. We have also obtained a level of in-orbit insurance for our Inmarsat-5 satellites for a further four years. In connection with the placement of insurance for the Inmarsat-5 satellites, we simultaneously placed similar insurance arrangements for our Alphasat satellite which is being built to augment our L-band satellite network and which we expect to launch in 2013.

On 8 October 2012, we announced the establishment of a long-term agreement with Cisco, whereby Cisco will provide Inmarsat with a satellite applications service delivery platform and a high performance access network for our GX programme. Cisco will also develop a router for satellite network end-users that will be compatible with both our Inmarsat GX and Inmarsat-4 networks. Under the terms of the agreement, Cisco will build and operate the access network on a fully managed basis before transferring it to Inmarsat. The GX/Inmarsat-4 integrated platform will allow Inmarsat and its partners to rapidly develop and remotely deploy innovative applications to extend the reach of new services across the whole Inmarsat network.

During 2012, we also announced a number of distribution and technology agreements which will underpin the commercial success of the GX programme. These include:

- Provisional or final agreements for Imtech Marine, Telemar Group, GMPCS Personal Communications, Inc, Singapore Telecommunications Limited and Navarino to act as Value-Added Resellers of GX services to the maritime market;

- The signature of a master distribution agreement with Honeywell for GX aviation services; the agreement includes a five-year capacity purchase by Honeywell. Under the terms of the agreement, Honeywell will partner with Inmarsat to offer GX services to the business aviation market; and

- The appointment of OnAir and Gogo as Value-Added Resellers of GX services to the commercial air transport market.

We have also announced a number of agreements with parties who will develop end-user equipment or other connectivity solutions for the GX network. These include:

- A Memorandum of Understanding with JRC (a leading communications provider headquartered in Japan) for a strategic partnership to develop maritime connectivity solutions for our GX services; and

- Agreements with Cobham Satcom, Paradigm Communication Systems Limited and Skyware Global as initial manufacturing launch partners for land satellite terminals for our GX services. Paradigm Communication Systems Limited will also develop value-added functionality for GX land terminals to enhance network services.

In July 2011, we signed a contract with International Launch Services ("ILS") for the launch of our Inmarsat-5 satellites using the Proton launch vehicle. During 2012, Proton experienced two launch failures, including a failure on 8 December 2012. Subsequently, in February 2013, the Failure Review Oversight Board, which investigated the reason for the December 2012 failure, made recommendations designed to prevent a similar failure and ILS has now announced that the Proton will return to flight with a mission scheduled for March 2013.

There are currently six commercial Proton launches for other satellite operators scheduled ahead of our first Inmarsat-5. These missions will provide an opportunity to verify the performance of the Proton vehicle across multiple launches. Although the normal failure review process may have resulted in a delay to the launch of some satellites ahead of us, it is not yet possible to determine if we will experience a launch delay as a result of the knock-on impact on satellites scheduled for launch with Proton. Given the return to flight now announced by ILS, we remain confident in our existing launch strategy and we continue to plan for a first Inmarsat-5 launch in 2013.

Inmarsat Global Services

During 2012, we launched a number of new services aimed at broadening our customer base and increasing revenues from our existing users. These include:

- Our BGAN M2M service, supporting M2M applications in the utilities, energy and retail banking markets. BGAN M2M supports end-to-end IP data for real-time M2M applications including smart metering, supervisory control and data acquisition, monitoring and other infrastructure telemetry solutions;

- BGAN Link, a broadband IP data service for users who need reliable connectivity over a sustained period from a permanent or semi-permanent site. For a fixed monthly fee, the new service offers a data connection of up to 0.5 Mbps, suitable for standard office-type applications such as email, internet and intranet access, and VPN access to corporate networks;

- FleetBroadband Multi-voice, a new capability available on all our FleetBroadband terminals (including FB150, the entry level variant) that will allow up to nine simultaneous telephone calls to be made through a single FleetBroadband terminal. This will enable vessel owners and managers to offer more crew communications options, while separating this traffic from operational use; and

- SBTV, a new service that enables airlines to supply real-time and updated on-demand entertainment to passengers' own devices. News, sports and other video content is transmitted to the aircraft over the SwiftBroadband network and then distributed wirelessly to passengers' own devices, which can include smartphones, laptops, tablets and other personal media players.

We also announced enhancements to our FleetBroadband 150 service offering with the new addition of fax capability, in response to user demand in the fishing markets, and in September we announced an agreement with iOra to offer our BGAN Geo-Replicator. This is a service that enables organisations to more efficiently deliver content - whether it be email or the transfer of large files, or other applications - to branch offices, project sites and other remote users.

In November 2012, we announced that through Shared Services Canada we are enabling the Canadian Navy to replace its existing Inmarsat B services with FleetBroadband Assured Access to enhance communications possibilities for its vessels. Our new Assured Access service enables priority use of our satellite network resources for high priority customers.

On 10 July 2012, we announced that SwiftBroadband will be deployed to support in-flight internet services on two airlines in the Asia-Pacific region. Leading Japanese air carrier ANA will deploy SwiftBroadband on its international routes from mid-2013, mainly serving US and European destinations. The SwiftBroadband service is being provided by Inmarsat distribution partner OnAir, which will deploy its 'Internet OnAir' Wi-Fi capability on 28 aircraft initially.

OnAir is also providing in-flight connectivity for Cebu Pacific Air, the Philippines' largest carrier and the first low cost carrier in South East Asia. Starting with deployment on its Airbus A330 fleet, the airline will roll out Internet OnAir to passengers during 2013. Cebu Pacific Air also has an option to install Wi-Fi services on its fleet of Airbus A320 aircraft, for short-haul flights, in a second phase.

On 21 August 2012, we announced that, through an agreement with Freedom Wireless Holdings Inc., Inmarsat had become the first mobile satellite provider licensed to offer prepaid services for voice calls originating in the US. Prepay voice services have been available from 1 September 2012 for all existing Inmarsat land services including IsatPhone Pro and BGAN.

In September 2012, we reached the milestone of 100,000 confirmed orders from distributors for our global handheld satellite phone, IsatPhone Pro. After distributors place orders for IsatPhone Pro terminals these terminals are only recorded as active terminals later, usually at the point when sold by the distributor to an end customer. At 31 December 2012 we had over 84,000 active IsatPhone Pro subscribers.

In January 2013, we appointed Galaxy1 Communications as a Distribution Partner for our BGAN M2M service.

On 25 February 2013, we announced our plan to launch L-TAC, a new L-band service, which will deliver an interoperable satellite capability for use with existing UHF tactical radios for approved government customers.

Inmarsat Solutions Services

On 25 January 2012, we announced that Frontline, a world leader in the international seaborne transportation of crude oil, has committed to Inmarsat XpressLink, our Ku/L-band hybrid service, for more than 100 vessels from its existing fleet and its planned new builds.

In February 2012, we were awarded the contract to provide FleetBroadband on vessels of Thome Ship Management. In addition to FleetBroadband services, the contracts include the deployment of other value-added services provided by Inmarsat Solutions.

On 23 April 2012, we announced the first appointments for our global network of XpressLink dealers. We now have 28 leading maritime communications specialists that have been approved to sell XpressLink, providing access to shipping fleets worldwide through sales teams based in North America, Europe, Middle East and Asia.

On 8 August 2012, we announced that leading international shipping and maritime conglomerate MISC Berhad (MISC) had signed up 46 of its vessels for our XpressLink service. In addition, on 20 September 2012, we announced that TORM A/S will deploy XpressLink to its owned bulk carrier and tanker fleets. XpressLink will immediately be deployed to 17 vessels, with phased installation across the TORM owned fleet over three years. At 31 December 2012, Inmarsat Solutions had an installed base of 1,186 ships using a VSAT service, including more than 330 ships using XpressLink.

On 5 March 2013, we announced that Nordic Tankers A/S, a leading owner and operator of chemical tankers, will migrate its vessels from an existing VSAT service to Xpresslink.

LightSquared Cooperation Agreement

On 20 April 2012, we announced an agreement with LightSquared to amend our Cooperation Agreement. As a result, LightSquared made a completion payment due under Phase 1 of the Agreement to Inmarsat of US$56.25m. Under the terms of the amendment, we renegotiated and agreed to suspend Phase 2 of the Cooperation Agreement until 31 March 2014. The amended terms of the Cooperation Agreement are designed to allow LightSquared additional time to secure regulatory consents that may ultimately lead to the deployment of its ATC network in North America.

LightSquared has made total payments to us in respect of all the phases of the Cooperation Agreement of US$546.4m, of which US$85.8m was received during 2012. We have, thus far, recognised US$281.5m of revenue and US$19.9m of operating costs under all the phases of the Cooperation Agreement. At 31 December 2012, we recorded a balance of US$264.9m of deferred income, within trade and other payables on the Balance Sheet.

The table below sets out the contribution of our Cooperation Agreement with LightSquared to our profit for the periods indicated:

(US$ in millions)	**2012**	**2011**
Revenue	60.2	203.8
Net operating costs	(8.3)	(11.2)
EBITDA	**51.9**	**192.6**
Income tax expense	(12.7)	(51.0)
Profit for the year	**39.2**	**141.6**

Under Phase 1 (including the previous Phase 1.5), LightSquared has made payments to us totalling US$408.7m. We are accounting for the Phase 1 payments using the percentage of completion method. We have recognised US$30.6m of revenue and US$8.3m of operating costs during 2012 (2011: US$95.7m and US$11.2m, respectively).

Under the original Phase 2, LightSquared has made payments to us totalling US$137.7m. Revenue has been recognised on a straight-line basis over the period from commencement of the original Phase 2 until 31 March 2012. We have recognised US$29.6m of revenue during 2012 (2011: US$108.1m). As a result of the suspension of Phase 2, we do not expect to recognise any further revenue under Phase 2 of the Cooperation Agreement until this phase recommences.

Financing

On 11 April 2012, our indirect subsidiary Inmarsat Finance plc, issued a further US$200m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017 (“Senior Notes due 2017”). The aggregate gross proceeds were US$212m, including US$12m premium on issuance and we capitalised issuance costs of US$3.8m.

Under the terms of our outstanding Convertible Bonds, holders had an option to require us to redeem the bonds at the accreted principal amount together with interest on 16 November 2012. This holder right expired on 17 October 2012 at which point no holders had exercised their rights. As a result, we were not required to redeem any of the Convertible Bonds on 16 November 2012. In connection with the expiry of this option we have made accounting adjustments impacting the amount of net interest payable reported for the year ended 31 December 2012 and the principal amount recorded in the balance sheet at 31 December 2012.

Dividends

On 25 May 2012, the Company paid a final dividend for the year ended 31 December 2011 of 24.96 cents (US$) per ordinary share. On 25 October 2012, the Company paid an interim dividend of 16.94 cents (US$) per ordinary share in respect of the year ended 31 December 2012, a 10.0% increase over 2011.

The Inmarsat plc Board of Directors intends to recommend a final dividend of 27.45 cents (US$) per ordinary share in respect of the year ended 31 December 2012 to be paid on 24 May 2013 to ordinary shareholders on the register of members at the close of business on 17 May 2013. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 2 May 2013. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2012. The total dividend paid and proposed for the year ended 31 December 2012 equals 44.39 cents (US$) per ordinary share, a 10.0% increase over 2011, and amounts to US$198.7m.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat plc for the year ended 31 December 2012. We report two operating segments: Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip (acquired on 28 April 2011) and NewWave (acquired on 13 January 2012).

The table below sets out the results of the Group for the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Revenue	**1,337.8**	**1,408.5**	**(5.0%)**
Employee benefit costs	(233.0)	(206.5)	12.8%
Network and satellite operations costs	(295.1)	(241.7)	22.1%
Other operating costs	(139.1)	(127.0)	9.5%
Own work capitalised	24.1	21.1	14.2%
Total net operating costs	**(643.1)**	**(554.1)**	**16.1%**
EBITDA	**694.7**	**854.4**	**(18.7%)**
Depreciation and amortisation	(255.2)	(245.8)	3.8%
Loss on disposal of assets	(0.5)	–	–
Acquisition-related adjustments	–	(2.1)	(100.0%)
Impairment losses	(94.7)	(141.5)	(33.1%)
Share of profit of associates	2.1	1.5	40.0%
Operating profit	**346.4**	**466.5**	**(25.7%)**
Interest receivable and similar income	3.2	5.0	(36.0%)
Interest payable and similar charges	(56.0)	(104.6)	(46.5%)
Net interest payable	(52.8)	(99.6)	(47.0%)
Profit before income tax	**293.6**	**366.9**	**(20.0%)**
Income tax expense	(76.2)	(117.4)	(35.1%)
Profit for the year	**217.4**	**249.5**	**(12.9%)**

Revenues

Total Group revenues for 2012 decreased by 5.0% compared with 2011. However, underlying revenues (excluding LightSquared) increased by US$72.9m, or 6.1%, as a result of growth in our wholesale MSS revenues, new US Government contracts in Segovia and a full year contribution from Ship Equip. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Inmarsat Global:			
Wholesale MSS	738.0	720.3	2.5%
LightSquared	60.2	203.8	(70.5%)
Other	37.7	34.3	9.9%
Total Inmarsat Global segment	835.9	958.4	(12.8%)
Inmarsat Solutions segment	810.3	758.2	6.9%
	1,646.2	1,716.6	(4.1%)
Intercompany eliminations and adjustments	(308.4)	(308.1)	
Total revenue	**1,337.8**	**1,408.5**	**(5.0%)**

Net operating costs

Total Group net operating costs for 2012 increased by 16.1% compared with 2011. Cost increases primarily arose from additional costs to support the new contracts in Segovia and the full year impact of costs from Ship Equip. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

(US$ in millions)	2012	2011	Increase
Inmarsat Global	238.6	235.7	1.2%
Inmarsat Solutions	713.2	625.3	14.1%
	951.8	861.0	10.5%
Intercompany eliminations and adjustments	(308.7)	(306.9)	
Total net operating costs	**643.1**	**554.1**	**16.1%**

EBITDA

Group EBITDA for 2012 decreased by 18.7% compared with 2011; this was primarily as a result of decreased revenue from our Cooperation Agreement with LightSquared. As a consequence, EBITDA margin has decreased to 51.9% for 2012, compared with 60.7% for 2011. Below is a reconciliation of profit for the year to EBITDA for each of the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Profit for the year	217.4	249.5	(12.9%)
Add back:			
Income tax expense	76.2	117.4	(35.1%)
Net interest payable	52.8	99.6	(47.0%)
Depreciation and amortisation	255.2	245.8	3.8%
Loss on disposal of fixed assets	0.5	–	–
Acquisition-related adjustments	–	2.1	(100.0%)
Impairment losses	94.7	141.5	(33.1%)
Share of profit of associates	(2.1)	(1.5)	40.0%
EBITDA	**694.7**	**854.4**	**(18.7%)**
EBITDA margin %	***51.9%***	***60.7%***	

Depreciation and amortisation

The increase in depreciation and amortisation of US$9.4m is due to an impairment recognised in the year through accelerated depreciation of previously capitalised S-band assets and the inclusion of depreciation on the assets acquired through the purchase of Ship Equip. In addition, in 2012 there was amortisation of the intangible assets recognised in the NewWave acquisition and additional depreciation on additions to tangible fixed assets in our Inmarsat Solutions segment. Partially offsetting the increase was a decrease in depreciation and amortisation in Inmarsat Global due to the Inmarsat-3 satellites becoming fully depreciated and a decrease in amortisation as a result of the reduction in the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil at the end of 2011.

Acquisition-related adjustments

During 2011, we recorded an adjustment of US$2.1m (2012: US$nil) relating to increased consideration in respect of our acquisition of Segovia in 2010. This was due to the better-than-expected performance of the Segovia business against previously agreed financial targets. In line with IFRS 3, the contingent consideration adjustment was charged as an expense to the income statement.

Impairment losses

During the year we continued to implement operational changes arising from our vertical market reorganisation and our preparations for the introduction of GX services. These changes, and certain other external factors, gave rise to an impairment loss within our Inmarsat Solutions segment of US$94.7m for the year ended 31 December 2012 (2011: US$141.5m). Some of the factors that gave rise to the impairment within the Inmarsat Solutions segment will have an offsetting positive benefit within the Inmarsat Global segment and therefore should not result in an equivalent gross impact at the Group level. This loss is related to a partial impairment of the goodwill that was originally recognised when we acquired the Stratos and Ship Equip businesses (impairment of US$58.7m and US$36.0m, respectively). Operating profit forecasts for the Stratos and Ship Equip cash-generating units ("CGUs") have been adjusted downwards due to both internal and external factors. Internally, the Group has made certain business decisions during the year which will affect the future profitability of each CGU, but with offsetting benefits elsewhere in the Inmarsat Group. In relation to the Stratos CGU, the Group has appointed a number of significant service providers as distribution partners of the Inmarsat Global segment for GX, therefore redirecting future revenues to the Inmarsat Global segment that would previously have been forecast as received in the Stratos CGU. In addition, certain revenue development plans for value-added services are now expected to be progressed within the Inmarsat Global segment and therefore not contribute to the Stratos CGU. For the Ship Equip CGU, we now intend for Ship Equip to become a Value-Added Reseller for GX, which carries lower margins at the CGU level than its historic standalone VSAT business. Externally, we have considered two further factors in our CGU forecasts. Firstly, we have seen delays in purchase decision-making for maritime VSAT systems, impacting the Ship Equip CGU. We believe these delays are due to ship operators preferring to wait for the launch of our GX services in order to compare GX to existing VSAT alternatives. Secondly, for the Stratos CGU there has been a decline in demand for certain products throughout 2012 resulting from reduced military activities in Afghanistan, reduced event-driven traffic and termination of some lease business. The combination of these factors is expected to result in reduced operating profits at the Inmarsat Solutions level and have therefore been reflected in the revised forecasts, giving rise to the impairment of the Stratos and Ship Equip CGUs.

In 2011, the total US$141.5m impairment loss related to a US$120.0m impairment of the goodwill that was originally recognised when we acquired Stratos and a write-off of US$21.5m of intangible assets associated with the Stratos, Segovia and Ship Equip trade names following the rebranding and reorganisation of the Inmarsat Solutions business. The prior year impairment of the Stratos goodwill was again a combination of internal and external factors which resulted in profit forecasts to be revised downwards. In 2011, changes in prices between Inmarsat Global and the distribution channel were not passed onto the end customers of Stratos, resulting in reduced margins for the Stratos CGU. In addition, commitments under our LightSquared Cooperation Agreement resulted in the expected discontinuance of certain customer leases for Inmarsat B and certain other services which directly impacted the Stratos CGU. While this business was expected to be partly retained through agreements using non-lease services, these are at a lower margin. There was also a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing, all of which contributed to lower than expected revenues.

Operating profit

As a result of the factors discussed above, operating profit during 2012 was US$346.4m, a decrease of US$120.1m, or 26%, compared with 2011.

Interest

Net interest payable for 2012 was US$52.8m, a decrease of US$46.8m, or 47%, compared with 2011.

Interest payable for 2012 was US$56.0m, a decrease of US$48.6m, or 46%, compared with 2011. In November 2012, we recognised a non-recurring US$30.2m credit to interest payable on the Convertible Bonds arising from an adjustment to the expected maturity date. In addition, there was a significant increase in the amount of interest that we are required to capitalise in the year. During 2012 we capitalised US$42.9m of interest that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$24.4m capitalised in 2011. In addition, in 2011, we recorded US$7.9m of interest in respect of unwinding of the discount we applied to the Segovia acquisition deferred consideration compared with US$nil in 2012 and wrote off unamortised issue costs of US$3.8m following the refinancing of our previous Senior Credit Facility. The decrease was partially offset by increased interest following further drawdowns of our Ex-Im Bank Facility and the issue of additional Senior Notes due 2017.

Interest receivable for 2012 was US$3.2m compared with US$5.0m for 2011. The decrease is primarily due to a non-recurring hedge accounting gain of US$3.0m recorded in 2011 in relation to the repayment of Ship Equip long-term debt.

Profit before tax
For 2012, profit before tax was US$293.6m, a decrease of US$73.3m, or 20%, compared with 2011. The reduction is due primarily to decreased revenues from our Cooperation Agreement with LightSquared and increased net operating costs, partially offset by decreased net interest payable and a reduced impairment charge during 2012.

Income tax expense
The tax charge for 2012 was US$76.2m, a decrease of US$41.2m, or 35%, compared with 2011. The decrease in the tax charge is largely driven by the underlying decrease in profits for 2012, together with a prior year adjustment for the year ended 31 December 2012 which resulted in a non-recurring tax credit of US$12.6m (prior year adjustment for the year ended 31 December 2011 resulted in a US$6.7m non-recurring tax credit). The reduction in the substantively enacted tax rate at which deferred tax is recognised from 25% to 23% has also given rise to a non-recurring tax credit of US$8.4m on the revaluation of deferred tax liabilities. These adjustments are offset by the non-deductible impairment of goodwill (tax effect US$23.2m) and other non-deductible items (tax effect US$1.7m) for the year ended 31 December 2012. For the year ended 31 December 2011 the tax effect relating to the non-deductible impairment of Stratos goodwill was US$31.8m.

The effective tax rate for 2012 was 26.0% compared with 32.0% for 2011. In the absence of the above adjustments, the effective rates would have been 24.6% for 2012 and 25.2% for 2011. This decrease is primarily due to the reduction in the UK main rate of corporation tax from 26% to 24%. While the reduction did not become effective until 1 April 2012, this has the effect of lowering the average UK statutory rate for 2012 to 24.5%. The average UK statutory tax rate for the year ended 31 December 2011 was 26.5%.

Profit for the period
As a result of the factors discussed above, profit for 2012 was US$217.4m, a decrease of US$32.1m, or 12.9%, compared with 2011.

Earnings per share
For 2012, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 48 cents (US$) and 48 cents (US$), respectively, compared with 55 cents (US$) and 54 cents (US$), respectively, for 2011.

The 2012 basic and diluted earnings per share adjusted to exclude the after-tax effect of the LightSquared contribution and the impairment losses, were 61 cents (US$) and 60 cents (US$), respectively, compared with 53 cents (US$) and 53 cents (US$), respectively, for 2011.

Inmarsat Global Results

Revenues
During 2012, although revenues from Inmarsat Global were US$835.9m, a decrease of US$122.5m, or 12.8%, compared with 2011, MSS revenues increased by US$17.7m, or 2.5%, year-on-year. The decrease in total revenues in 2012 is due to the reduction in revenues recognised in relation to our Cooperation Agreement with LightSquared.

The MSS revenue growth was primarily driven by increased activations and usage of our FleetBroadband and SwiftBroadband services and by the effect of price initiatives for maritime data services. We have also seen encouraging growth in our land mobile IsatPhone Pro service. As in recent periods, this growth has been partly offset by the continued expected decline in revenues from our BGAN and GAN services due to the combination of troop withdrawals from Afghanistan and lower event revenues in 2012 compared to 2011. In addition, we experienced a decline in maritime voice revenues due to the impact of product mix changes and, more generally, we have experienced a decline in revenues from older services such as

Inmarsat B, Mini M, Fleet, GAN and Swift 64, year-on-year. The results also reflect the termination of certain lease business during the year, which was expected.

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

(US$ in millions)	2012	2011	Increase/ (decrease)
Revenue			
Maritime sector:			
Voice services	79.7	90.2	(11.6%)
Data services	331.5	268.7	23.4%
Total maritime sector	**411.2**	**358.9**	**14.6%**
Land mobile sector:			
Voice services	14.3	7.7	85.7%
Data services	118.1	144.0	(18.0%)
Total land mobile sector	**132.4**	**151.7**	**(12.7%)**
Aviation sector	100.8	99.5	1.3%
Leasing	93.6	110.2	(15.1%)
Total MSS revenue	**738.0**	**720.3**	**2.5%**
Other income (including LightSquared)	97.9	238.1	(58.9%)
Total revenue	**835.9**	**958.4**	**(12.8%)**

Total active terminal numbers as at 31 December 2012 increased by 14.5%, compared with 31 December 2011. The table below sets out the active terminals by sector for each of the years indicated:

	As at 31 December		
(000's)	2012	2011	Increase
Active terminals[(a)]			
Maritime	188.1	186.9	0.6%
Land mobile	161.3	118.3	36.3%
Aviation	15.4	13.5	14.1%
Total active terminals	**364.8**	**318.7**	**14.5%**

(a) Active terminals is the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 31 December. 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 31 December 2012, we had 229,881 (2011: 220,453) M2M terminals.

The growth of active terminals in the maritime sector is primarily due to take-up of our FleetBroadband service, where we have seen active terminal numbers grow by 31% year-over-year. This growth has been partially offset by the expected decline in active terminals of older services such as Inmarsat B and Fleet, where users have been migrating to our FleetBroadband service. The growth of active terminals in the land mobile sector is predominantly due to our IsatPhone Pro service, which was introduced in 2010. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 52%, year-over-year, partially offset by the decline in our other older aviation services.

Maritime sector. During 2012, revenues from the maritime sector were US$411.2m, an increase of US$52.3m, or 14.6%, compared with 2011.

Revenues from data services in the maritime sector during 2012 were US$331.5m, an increase of US$62.8m, or 23%, compared with 2011. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in January and May 2012 and increased take-up and usage of our FleetBroadband terminals. During the year we have seen significant migration of end-users from usage-based pricing plans to subscription-based plans with higher monthly fees and inclusive usage. We estimate that at the end of the year nearly half of our FleetBroadband revenues now come from recurring customer subscriptions. We have also seen strong terminal activations and increasing average revenue per user ("ARPU"). During 2012, we added 7,980 FleetBroadband subscribers. Despite the overall revenue growth reported, customer migration to FleetBroadband from older services continues to be a constraint on our rate of revenue growth as the price of FleetBroadband services is typically lower than the price of equivalent services on the terminals being replaced.

Revenues from some older services continue to decline due to the natural run-off and migration of these services, for example, active Inmarsat B and Fleet terminal numbers are reducing due to older ships being decommissioned or refitted with FleetBroadband terminals.

Revenues from voice services in the maritime sector during 2012 were US$79.7m, a decrease of US$10.5m, or 11.6%, compared with 2011. We have continued to see voice revenues being negatively impacted by product mix changes as users transition from our older services to our FleetBroadband service where the price of voice services is lower and also by the substitution effect of voice usage moving to email and Voice Over IP, which we record as data revenues.

We continue to believe that the current economic environment for the shipping industry and increased competition are also factors impacting revenues in the maritime sector. In addition, the take-up of XpressLink by ships currently using our existing L-band maritime services is expected to increasingly impact the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis will largely migrate to our Inmarsat Solutions segment. While this impact has so far been limited due to the early stage of the XpressLink service, customer interest is gaining traction and the impact may be more pronounced in future reporting periods.

Land Mobile sector. During 2012, revenues from the land mobile sector were US$132.4m, a decrease of US$19.3m, or 12.7%, compared with 2011.

Revenues from data services in the land mobile sector during 2012 were US$118.1m, a decrease of US$25.9m, or 18.0%, compared with 2011. This expected decline in revenues is due to the combination of troop withdrawals from Afghanistan and the comparative impact of significant event revenue in 2011. We estimate that Afghanistan and events in North Africa and Japan in 2011 contributed US$30m more revenue year-over-year, compared with 2012. Although we continue to see growth in BGAN usage from new subscribers, this growth is unable to fully offset the impact of reduced revenues from Afghanistan and other world events.

Revenues from voice services in the land mobile sector during 2012 were US$14.3m, an increase of US$6.6m, or 86%, compared with 2011. The increase is due to growth in revenues from our IsatPhone Pro service. Take-up of the IsatPhone Pro service has remained strong and we ended the year with over 84,000 active subscribers, compared to approximately 43,000 at the beginning of the year. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth. In addition, our IsatPhone Pro revenues also benefited from pricing and package changes made in June 2012 and, during the fourth quarter, we recognised approximately US$1.0m of non-recurring revenues which related to a customer contract adjustment and the unused portion of certain expired prepay agreements.

Aviation sector. During 2012, revenues from the aviation sector were US$100.8m, an increase of US$1.3m, or 1.3%, compared with 2011. We have seen strong growth in revenues from our SwiftBroadband service, year-over-year. However, this increase has been offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers, including usage related to reduced activity in Afghanistan.

Leasing. During 2012, revenues from leasing were US$93.6m, a decrease of US$16.6m, or 15.1%, compared with 2011. The expected decrease is predominantly due to a reduction in revenues from a number of government maritime contracts. In addition, we terminated some Inmarsat-B leases in connection with our Cooperation Agreement with LightSquared.

Other income. Other income for 2012 was US$97.9m, a decrease of US$140.2m, or 59% compared with 2011. The decrease is due to lower revenues from LightSquared (US$60.2m, in 2012, compared with US$203.8m for 2011). During 2012, we had US$23.5m of revenues from the sale of terminals and accessories (predominantly in relation to IsatPhone Pro), compared with US$18.1m in 2011.

Net operating costs

Net operating costs for 2012 increased by 1.2%, compared with 2011. Included within net operating costs for 2012 are net costs in relation to our GX programme totalling US$15.6m (2011: US$11.2m) and costs in relation to the LightSquared Cooperation Agreement of US$8.3m (2011: US$11.2m).

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

(US$ in millions)	2012	2011	Increase/ (decrease)
Employee benefit costs	109.4	105.1	4.1%
Network and satellite operations costs	39.6	45.7	(13.3%)
Other operating costs	108.7	101.3	7.3%
Own work capitalised	(19.1)	(16.4)	16.5%
Net operating costs	**238.6**	**235.7**	**1.2%**

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 2012 was US$1.48/£1.00, compared to US$1.51/£1.00 in 2011, which did not give rise to a material variance in comparative costs. We have completed our hedging arrangements for our anticipated Sterling costs in 2013 and as a result expect our hedged rate of exchange for 2013 to be US$1.57/£1.00.

Employee benefit costs. Employee benefits costs increased by US$4.3m, or 4.1%, for 2012, compared with 2011, primarily due to an increase in total full-time equivalent headcount (on average in 2012 there were 569 employees compared to 546 in 2011), primarily to support our GX programme. During the fourth quarter, we recognised additional employee benefit costs of approximately US$3.3m in relation to some limited employee redundancies. In addition, the phasing of costs in the fourth quarter was more pronounced in 2012 than in previous years.

Network and satellite operations costs. Network and satellite operations costs fell by US$6.1m, or 13.3%, for 2012 compared with 2011, primarily due to lower in-orbit insurance costs following the annual contract renewals in August 2012. In addition, costs of service contracts, warranties and maintenance decreased year-on-year.

Other operating costs. Other operating costs for 2012 increased by US$7.4m, or 7.3%, compared with 2011. The increase relates to higher direct cost of sales due to IsatPhone Pro terminal sales and increased interconnect charges as voice traffic grew. In addition, in 2012 a US$5.4m provision was made against certain trade receivables and a foreign exchange translation loss of US$5.2m was recorded (2011: US$1.4m). Partially offsetting the increase was a decrease in professional fees incurred in 2012, including reduced professional fees incurred in relation to our Cooperation Agreement with LightSquared and the absence of US$2.0m non-recurring professional fees expensed in 2011 in relation to our acquisition of Ship Equip.

Own work capitalised. Own work capitalised increased by US$2.7m, or 16.5% compared with 2011, predominantly a result of increased activity on our GX programme.

Operating profit

(US$ in millions)	2012	2011	Increase/ (decrease)
Total revenue	835.9	958.4	(12.8%)
Net operating costs	(238.6)	(235.7)	1.2%
EBITDA	**597.3**	**722.7**	**(17.4%)**
EBITDA margin %	*71.5%*	*75.4%*	
EBITDA excluding LightSquared and Global Xpress	561.0	541.3	3.6%
EBITDA margin % excluding LightSquared and Global Xpress	*72.3%*	*71.7%*	
Depreciation and amortisation	(158.1)	(161.9)	(2.3%)
Operating profit	**439.2**	**560.8**	**(21.7%)**

The decrease in operating profit for 2012 of US$121.6m, compared with 2011, is primarily a result of decreased revenues from our Cooperation Agreement with LightSquared, partially offset by higher MSS revenues year-on-year.

Inmarsat Solutions Results

On 28 April 2011, we completed the acquisition of Ship Equip. On 13 January 2012, we completed the acquisition of NewWave. We include the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip and NewWave in a single reporting segment, Inmarsat Solutions.

Revenues

During 2012, revenues from Inmarsat Solutions increased by US$52.1m, or 6.9%, compared to 2011. The table below sets out the components of Inmarsat Solutions' revenues for each of the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Inmarsat MSS	400.5	423.4	(5.4%)
Broadband and Other MSS[(a)]	409.8	334.8	22.4%
Total revenue	**810.3**	**758.2**	**6.9%**

(a) Includes Ship Equip from 28 April 2011 and NewWave from 13 January 2012.

Inmarsat MSS. Revenues derived from Inmarsat MSS for 2012 decreased by US$22.9m, or 5.4%, compared to 2011. The decrease in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by a combination of lower leasing revenue and by lower BGAN revenue from Afghanistan and other world events year-over-year. As Inmarsat Solutions has a disproportionately higher share of both our leasing and BGAN business, the negative impact of these factors contributed to an overall decrease in revenue, even though Inmarsat Solutions benefited from strong growth in maritime revenues and other factors that contributed to an overall increase in MSS revenues at the wholesale level.

In addition, growth in maritime MSS revenues at Inmarsat Solutions lagged the growth reported at the Inmarsat Global level as effective wholesale price increases, resulting from the elimination of certain volume discounts in January 2012, were not wholly passed on by Inmarsat Solutions to end-users. As a result, certain price increases at the Inmarsat Global wholesale level did not result in equivalent revenue increases at the Inmarsat Solutions retail level.

For 2012, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 39%, slightly lower than the 41% share for 2011.

Broadband and Other MSS. 'Broadband and Other MSS' revenues primarily consist of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Also included within ‘Broadband and Other MSS’ are revenues from our Inmarsat Government business unit (primarily drawn from the operations of Segovia), relating to the provision of secure IP managed solutions and services to United States government agencies and an element of revenues from our Inmarsat Maritime business unit (primarily drawn from the operations of Ship Equip), relating to the provision of VSAT maritime communications services, including our XpressLink service, to the shipping, offshore energy and fishing markets.

Revenues from ‘Broadband and Other MSS’ during 2012 increased by US$75.0m, or 22%, compared with 2011. The increase is due to increased revenues in our Inmarsat Government business unit from growth in network services and equipment sales and the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011. There were also increases in mobile terminal and equipment sales and other ancillary revenues from other business units, which were partially offset by a reduction in VSAT revenues from energy operations.

Net operating costs

Net operating costs in 2012 increased by US$87.9m, or 14.1%, compared to 2011, primarily as a result of increased costs in Inmarsat Government related to the increased revenue, the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011 and increased cost for airtime from Inmarsat Global as a result of price increases. The table below sets out the components of Inmarsat Solutions’ net operating costs and shows the allocation of costs to the Group’s cost categories for each of the periods indicated:

(US$ in millions)	2012	2011	Increase
Cost of goods and services	602.6	538.0	12.0%
Operating costs	110.6	87.3	26.7%
Total operating costs	**713.2**	**625.3**	**14.1%**
Allocated as follows:			
Employee benefit costs	123.6	101.4	21.9%
Network and satellite operations costs[(a)]	555.6	497.2	11.7%
Other operating costs	38.7	31.4	23.2%
Own work capitalised	(4.7)	(4.7)	–
Net operating costs	**713.2**	**625.3**	**14.1%**

(a) Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

Cost of goods and services. Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services, and variable labour costs related to our repair and service workforce. Cost of goods and services also includes costs such as network infrastructure operating costs, customer support centre costs, telecommunications services purchased from terrestrial providers, rents and salaries that do not vary significantly with changes in volumes of goods and services sold.

Cost of goods and services during 2012 increased by US$64.6m, or 12.0%, compared to 2011. The increase is predominantly due to increased costs in Inmarsat Government, related to the increased revenues, the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011 and increased cost for airtime from Inmarsat Global as a result of price increases.

Operating costs. Operating costs during 2012 increased by US$23.3m, or 27%, compared to 2011. The increase is primarily due to increased costs in Inmarsat Government related to an increased number of employees, increased benefits and higher sales, marketing and rent costs and the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011. Within the fourth quarter, we recognised certain costs that are not expected to be recurring in nature. These costs amount to approximately US$5.0m, of which US$2.2m relates to some limited employee redundancies.

Operating loss

(US$ in millions)	2012	2011	Increase/ (decrease)
Total revenue	810.3	758.2	6.9%
Cost of goods and services	(602.6)	(538.0)	12.0%
Gross margin	**207.7**	**220.2**	**(5.7%)**
Gross margin %	*25.6%*	*29.0%*	
Operating costs	(110.6)	(87.3)	26.7%
EBITDA	**97.1**	**132.9**	**(26.9%)**
EBITDA margin %	*12.0%*	*17.5%*	
Depreciation and amortisation	(97.1)	(83.9)	15.7%
Loss on the disposal of assets	(0.5)	–	–
Acquisition-related adjustments	–	(2.1)	(100.0%)
Impairment losses	(94.7)	(141.5)	(33.1%)
Share of profit of associates	2.1	1.5	40.0%
Operating loss	**(93.1)**	**(93.1)**	–

Inmarsat Solutions' operating loss for 2012 was US$93.1m in line with 2011. US$94.7m of impairment losses were recognised in 2012 relating to the impairment of goodwill, compared to US$120.0m in 2011 relating to the impairment of goodwill and US$21.5m in 2011 for the reduction of the carrying amounts of the Stratos, Segovia and Ship Equip trade names to US$nil. Offsetting the decrease in impairment losses year-on-year was a decrease in EBITDA and an increase in depreciation and amortisation. The EBITDA reduction is due primarily to a decreased contribution from the sales of Inmarsat MSS as a result of lower revenues, an increase in the cost of airtime from Inmarsat Global, increased operating costs and changes in product mix. The increase in depreciation and amortisation is primarily a result of the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011, the amortisation of NewWave intangibles and increased capital expenditures, partially offset by a decrease in amortisation as a result of the reduction in the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil at the end of 2011.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage have decreased by US$12.5m and 3.4%, respectively, in 2012 compared to 2011. These decreases are a result of a decrease in Inmarsat MSS revenue along with increased cost of airtime from Inmarsat Global and migration to newer lower margin services, as well as reduced gross margin percentages in Inmarsat Government and Inmarsat Maritime as a result of the newer revenues being at lower margins and changes in product mix. These decreases have been partially offset by the additional operations of Ship Equip which has a higher gross margin.

Group liquidity and capital resources

At 31 December 2012, the Group had cash and cash equivalents of US$332.1m and available but undrawn borrowing facilities of US$1,052.4m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future. In addition, we remain well-positioned to access the capital markets when needed, to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of our borrowing facilities and debt securities.

The Group's net borrowings (gross of deferred finance costs) are presented below:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
EIB Facility	264.3	308.4
Ex-Im Bank Facility	397.6	277.3
Senior Notes due 2017	850.0	650.0
– Net issuance premium/(discount)	7.5	(3.6)
Convertible Bonds	301.3	307.4
– accretion of principal	2.9	2.7
Deferred satellite payments	28.7	34.7
Bank overdrafts	–	0.7
Total borrowings	**1,852.3**	**1,577.6**
Cash and cash equivalents	(332.1)	(183.5)
Net borrowings (gross of deferred finance costs)	**1,520.2**	**1,394.1**

The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2012 and 2011:

(US$ in millions)	2012	2011
Net cash from operating activities	659.5	881.6
Net cash used in investing activities excluding capital expenditure	(15.1)	(171.0)
Capital expenditure, including own work capitalised	(484.0)	(531.0)
Dividends paid	(186.6)	(172.2)
Net cash from/(used in) financing activities, excluding dividends paid	175.5	(168.3)
Foreign exchange adjustment	–	0.2
Net increase/(decrease) in cash and cash equivalents	**149.3**	**(160.7)**

The decrease in net cash generated from operating activities in 2012, compared with 2011, of US$222.1m primarily relates to decreased EBITDA in 2012 and movements in working capital, partially offset by lower cash tax paid. Our LightSquared Cooperation Agreement contributed to US$219.4m of the decrease in net cash from operating activities year-on-year (this excludes the impact on cash tax paid due to reduced profit before tax year-on-year).

The decrease in net cash used in investing activities excluding capital expenditure in 2012, compared with 2011, was US$155.9m. During 2012 we acquired 100% of the outstanding shares of NewWave for a total cash consideration of US$7.7m (net of cash acquired) and paid US$7.4m of deferred consideration in relation to previous acquisitions. During 2011 we purchased Ship Equip for a cash consideration of US$113.2m (excluding the repayment of debt which was treated as a financing activity and net of cash acquired and foreign exchange risk hedging gains), paid US$54.5m of deferred consideration in relation to previous acquisitions and paid US$3.2m relating to Inmarsat Solutions' acquisition of certain operational assets.

Capital expenditure, including own work capitalised, decreased by US$47.0m in 2012, compared with 2011. Capital expenditure may fluctuate with the timing of milestone payments on current projects.

During 2012 the Company paid dividends of US$186.6m, compared with US$172.2m in 2011.

During 2012 net cash from financing activities, excluding the payment of dividends was US$175.5m, compared to net cash used in financing activities, excluding the payment of dividends of US$168.3m in 2011. During 2012 we received gross proceeds of US$212.0m on the April 2012 issue of additional Senior Notes due 2017, we drew down US$120.3m of our Ex-Im Bank Facility and we received US$3.5m from the issue of ordinary shares in connection with certain staff incentive programmes. In addition, we paid cash interest of US$97.5m, repaid US$44.1m of our EIB Facility, paid fees in relation to debt issuance of US$8.1m and paid US$9.9m to repurchase our own shares.

During 2011, the Group repaid US$200.0m outstanding under our previous Senior Credit Facility, repaid US$44.7m of outstanding debt in Ship Equip (net of US$3.0m of hedge gains), paid cash interest of US$79.7m, paid US$98.4m to repurchase our own shares and paid arrangement costs in respect of new financing of US$22.4m. In addition, we received US$277.3m from the drawdown of our Ex-Im Bank Facility during 2011.

Group free cash flow

(US$ in millions)	**2012**	**2011**
Cash generated from operations	726.9	991.2
Capital expenditure, including own work capitalised	(484.0)	(531.0)
Net cash interest paid	(95.7)	(76.7)
Cash tax paid	(69.2)	(112.6)
Free cash flow	**78.0**	**270.9**

Free cash flow decreased by US$192.9m, or 71%, during 2012, compared with 2011. The decrease is due to a reduction in cash generated from operations (of which US$219.4m related to our Cooperation Agreement with LightSquared) and an increase in net cash interest paid, partially offset by lower capital expenditure and reduced cash tax paid.

Group balance sheet

The table below shows the consolidated Group balance sheet at 31 December 2012 and 2011:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Non-current assets	3,099.1	2,937.1
Current assets	653.9	472.0
Total assets	**3,753.0**	**3,409.1**
Current liabilities	(665.7)	(966.3)
Non-current liabilities	(1,961.4)	(1,361.7)
Total liabilities	**(2,627.1)**	**(2,328.0)**
Net assets	**1,125.9**	**1,081.1**

The increase in the Group's non-current assets of US$162.0m is due primarily to an increase in property, plant and equipment due to additions in 2012 predominantly as a result of our GX and Alphasat programmes. Offsetting the increase was a US$94.7m impairment relating to partial impairments of goodwill previously recognised when we acquired our Stratos and Ship Equip businesses of US$58.7m and US$36.0m, respectively.

The increase in current assets of US$181.9m is due predominantly to an increase in cash and cash equivalents from US$183.5m at 31 December 2011 to US$332.1m at 31 December 2012. The increase in cash and cash equivalents is due primarily to the gross proceeds of US$212.0m received on the April 2012 issue of additional Senior Notes due 2017. In addition, trade and other receivables increased by US$32.8m to US$290.0m at 31 December 2012.

The decrease in current liabilities of US$300.6m relates primarily to the reclassification of the liability component of the Convertible Bonds from current to non-current. Although our outstanding Convertible Bonds do not mature until November 2017, holders had the right to require the Company to redeem any or all of the bonds at their accreted principal amount on 16 November 2012. As no holders elected to redeem their bonds in November 2012 a revised maturity assumption based on the next date that holders can redeem their bonds of 16 November 2014 has subsequently been adopted. In addition, during 2012, current income tax liabilities decreased US$19.6m to US$32.7m at 31 December 2012. The decrease has been partially offset by a US$25.6m increase in deferred revenue recognised in relation to our Cooperation Agreement with LightSquared during 2012.

The increase in non-current liabilities of US$599.7m relates primarily to an increase in non-current borrowings of US$580.1m to US$1,769.0m at 31 December 2012. The increase in non-current borrowings is due to the reclassification of the liability component of the Convertible Bonds to non-current liabilities, the additional Senior Notes due 2017 issued in April 2012 (gross proceeds of US$212.0m) and the drawdown of US$120.3m of our Ex-Im Bank Facility, partially offset by the repayment of US$44.1m of our EIB Facility. In addition, during 2012, deferred income tax liabilities increased US$32.4m to US$141.3m at 31 December 2012.

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

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 maintain in-orbit insurance on our Inmarsat-4 satellite fleet and have obtained launch insurance for Alphasat and our Inmarsat-5 satellites, 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.

Distribution

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.

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.

Development of hybrid networks, including 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 services over North America with minimal impact to our users, following the launch of ATC services, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse affect on our future L-band service performance in North America.

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.

Next generation services and satellites
We are currently 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. In addition, communications providers who operate private networks using VSAT or hybrid systems also continue to target MSS users. 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 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. We believe that our acquisition of Ship Equip and our investment in GX will position us favourably to compete with alternate technology providers and reduce the impact of such competition on our L-band MSS business.

Related party transactions
There have been no material changes in the related party transactions described on page 98 of the 2011 Inmarsat plc Annual Report and Accounts.

Recent events
Subsequent to 31 December 2012, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated financial results of the Group.

Inmarsat plc
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce
Chief Executive Officer
7 March 2013

Rick Medlock
Chief Financial Officer
7 March 2013

INMARSAT PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

(US$ in millions)	2012	2011
Revenues	**1,337.8**	**1,408.5**
Employee benefit costs	(233.0)	(206.5)
Network and satellite operations costs	(295.1)	(241.7)
Other operating costs	(139.1)	(127.0)
Own work capitalised	24.1	21.1
Total net operating costs	**(643.1)**	**(554.1)**
EBITDA	**694.7**	**854.4**
Depreciation and amortisation	(255.2)	(245.8)
Loss on disposal of assets	(0.5)	–
Acquisition-related adjustments	–	(2.1)
Impairment losses	(94.7)	(141.5)
Share of profit of associates	2.1	1.5
Operating profit	**346.4**	**466.5**
Interest receivable and similar income	3.2	5.0
Interest payable and similar charges	(56.0)	(104.6)
Net interest payable	(52.8)	(99.6)
Profit before income tax	**293.6**	**366.9**
Income tax expense	(76.2)	(117.4)
Profit for the year	**217.4**	**249.5**
Attributable to:		
Equity holders	**217.1**	**249.3**
Non-controlling interest	**0.3**	**0.2**

Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)		
– Basic	0.48	0.55
– Diluted	0.48	0.54

Adjusted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)		
– Basic	0.61	0.53
– Diluted	0.60	0.53

INMARSAT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

(US$ in millions)	2012	2011
Profit for the year	**217.4**	**249.5**
Other comprehensive income		
Actuarial gains from pension and post-employment benefits	4.4	13.4
Net gains/(losses) on cash flow hedges	11.4	(2.7)
Foreign exchange translation differences	–	0.4
Tax charged directly to equity	(3.7)	(4.2)
Other comprehensive income for the year, net of tax	**12.1**	**6.9**
Total comprehensive income for the year, net of tax	**229.5**	**256.4**
Attributable to:		
Equity holders	**229.2**	**256.2**
Non-controlling interest	**0.3**	**0.2**

INMARSAT PLC
CONSOLIDATED BALANCE SHEET
At 31 December 2012

(US$ in millions)	2012	2011
Assets		
Non-current assets		
Property, plant and equipment	2,081.6	1,820.1
Intangible assets	970.5	1,081.7
Investments	31.6	31.0
Other receivables	15.4	4.2
Derivative financial instruments	–	0.1
	3,099.1	**2,937.1**
Current assets		
Cash and cash equivalents	332.1	183.5
Trade and other receivables	290.0	257.2
Inventories	25.4	23.5
Derivative financial instruments	6.4	7.8
	653.9	**472.0**
Total assets	**3,753.0**	**3,409.1**
Liabilities		
Current liabilities		
Borrowings	52.4	361.5
Trade and other payables	563.7	535.4
Provisions	5.5	2.9
Current income tax liabilities	32.7	52.3
Derivative financial instruments	11.4	14.2
	665.7	**966.3**
Non-current liabilities		
Borrowings	1,769.0	1,188.9
Other payables	25.7	28.1
Provisions	25.4	26.7
Deferred income tax liabilities	141.3	108.9
Derivative financial instruments	–	9.1
	1,961.4	**1,361.7**
Total liabilities	**2,627.1**	**2,328.0**
Net assets	**1,125.9**	**1,081.1**
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	687.4	683.9
Equity reserve	56.9	56.9
Other reserves	43.5	25.8
Retained earnings	336.7	313.3
Equity attributable to shareholders of the parent	**1,124.8**	**1,080.2**
Non-controlling interest	**1.1**	**0.9**
Total equity	**1,125.9**	**1,081.1**

INMARSAT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

(US$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Other reserves[(a)]	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2011	**0.3**	**683.9**	**56.9**	**37.5**	**(7.5)**	**0.6**	**–**	**(11.5)**	**327.8**	**0.7**	**1,088.7**
Share options charge/(credit)	–	–	–	10.2	–	–	–	–	(2.4)	–	7.8
Purchase of own shares	–	–	–	–	–	–	–	–	(98.4)	–	(98.4)
Dividends paid	–	–	–	–	–	–	–	–	(173.4)	–	(173.4)
Comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	–	249.3	0.2	249.5
Other comprehensive income – before tax	–	–	–	–	(2.7)	–	0.4	–	13.4	–	11.1
Other comprehensive income – tax	–	–	–	–	(1.2)	–	–	–	(3.0)	–	(4.2)
Balance at 31 December 2011	**0.3**	**683.9**	**56.9**	**47.7**	**(11.4)**	**0.6**	**0.4**	**(11.5)**	**313.3**	**0.9**	**1,081.1**
Issue of share capital	–	3.5	–	–	–	–	–	–	–	–	3.5
Share options charge	–	–	–	8.8	–	–	–	–	0.4	–	9.2
Purchase of own shares	–	–	–	–	–	–	–	–	(9.9)	–	(9.9)
Dividends paid	–	–	–	–	–	–	–	–	(187.4)	(0.1)	(187.5)
Comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	–	217.1	0.3	217.4
Other comprehensive income – before tax	–	–	–	–	11.4	–	–	–	4.4	–	15.8
Other comprehensive income – tax	–	–	–	–	(2.5)	–	–	–	(1.2)	–	(3.7)
Balance at 31 December 2012	**0.3**	**687.4**	**56.9**	**56.5**	**(2.5)**	**0.6**	**0.4**	**(11.5)**	**336.7**	**1.1**	**1,125.9**

(a) The other reserve relates to ordinary shares held by the employee share trust.

INMARSAT PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2012

(US$ in millions)	2012	2011
Cash flow from operating activities		
Cash generated from operations	726.9	991.2
Interest received	1.8	3.0
Income taxes paid	(69.2)	(112.6)
Net cash from operating activities	**659.5**	**881.6**
Cash flow from investing activities		
Purchase of property, plant and equipment	(437.2)	(489.7)
Additions to capitalised development costs, including software	(22.9)	(20.0)
Own work capitalised	(23.9)	(21.3)
Acquisition of subsidiaries and other investments	(15.1)	(171.0)
Net cash used in investing activities	**(499.1)**	**(702.0)**
Cash flow from financing activities		
Dividends paid to shareholders	(186.6)	(172.2)
Repayment of Previous Senior Credit Facility	–	(200.0)
Repayment of EIB Facility	(44.1)	–
Drawdown of Ex-Im Bank Facility	120.3	277.3
Gross issuance proceeds of Senior Notes due 2017	212.0	–
Repayment of Ship Equip long-term debt	–	(44.7)
Interest paid on borrowings	(97.5)	(79.7)
Arrangement costs of financing	(8.1)	(22.4)
Purchase of own shares	(9.9)	(98.4)
Net proceeds from the issue of ordinary shares	3.5	–
Other financing activities	(0.7)	(0.4)
Net cash used in financing activities	**(11.1)**	**(340.5)**
Foreign exchange adjustment	–	0.2
Net increase/(decrease) in cash and cash equivalents	**149.3**	**(160.7)**
Movement in cash and cash equivalents		
At beginning of year	182.8	343.5
Net increase/(decrease) in cash and cash equivalents	149.3	(160.7)
As reported on balance sheet (net of bank overdrafts)	**332.1**	**182.8**
At end of year, comprising		
Cash at bank and in hand	57.0	65.0
Short-term deposits with original maturity of less than three months	275.1	118.5
Bank overdrafts	–	(0.7)
	332.1	**182.8**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

1. General information

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

These consolidated financial results were approved for issue by the Board of Directors on 7 March 2013.

The financial information set out in these Preliminary Consolidated Financial Results, which has been extracted from the audited consolidated financial statements for the years ended 31 December 2012 and 31 December 2011, does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2012 will be delivered to the Registrar of Companies following the Company’s Annual General Meeting. The statutory financial statements for the year ended 31 December 2011 have been delivered to the Registrar of Companies.

The auditor has reported on the consolidated financial statements for the years ended 31 December 2012 and 2011. The reports were 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 consolidated financial results for the year ended 31 December 2012 have been prepared using International Financial Reporting Standards (“IFRS”) as adopted by the European Union. This announcement does not contain sufficient information to comply with all of the disclosure requirements of IFRS.

These condensed consolidated financial statements should be read in conjunction with the Group’s most recent annual consolidated financial statements, which are for the year ended 31 December 2011, 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 2011 annual consolidated financial statements prepared under IFRS, set out on pages 56 to 99. The consolidated balance sheet as at 31 December 2012 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

In addition, the following standards and interpretations, issued by the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011); and
- IAS 12 (as amended) – Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012).

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

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

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

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

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

3. Segment information

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

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Inmarsat Solutions.

The Group's reportable segments are therefore as follows:
- Inmarsat Global – principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate;
- Inmarsat Solutions – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to service providers and end-users; and
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

Segment information:

(US$ in millions)	Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total
			2012		
Revenue					
External sales	540.7	797.1	–	–	1,337.8
Inter-segment	295.2	13.2	–	(308.4)	–
Total revenue	**835.9**	**810.3**	**–**	**(308.4)**	**1,337.8**
EBITDA	**597.3**	**97.1**	**–**	**0.3**	**694.7**
Segment result (operating profit) before operating profit from LightSquared and impairment losses	387.3	1.6	–	0.3	389.2
Operating profit from LightSquared	51.9	–	–	–	51.9
Impairment losses	–	(94.7)	–	–	(94.7)
Segment result (operating profit/(loss))	**439.2**	**(93.1)**	**–**	**0.3**	**346.4**
Net interest charged to the Income	–	–	(52.8)	–	(52.8)
Profit before income tax					**293.6**
Income tax expense					(76.2)
Profit for the year					**217.4**
Segment assets	3,007.1	824.8	332.1	(411.0)	3,753.0
Segment liabilities	(507.4)	(164.3)	(1,995.4)	40.0	(2,627.1)
Investment (included in segment assets)[(b)]	23.5	–	–	–	23.5
Capital expenditure[(c)]	(433.6)	(56.3)	–	0.1	(489.8)
Depreciation	(138.8)	(49.5)	–	–	(188.3)
Amortisation of intangible assets	(19.3)	(47.6)	–	–	(66.9)

(a) Includes NewWave Broadband Limited ("NewWave") from 13 January 2012 (see note 9).
(b) Relates to 19% stake in SkyWave Mobile Communications ("SkyWave").
(c) Capital expenditure stated using accruals basis.

(US$ in millions)	Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations	Total
			2011		
Revenue					
External sales	661.6	746.9	–	–	1,408.5
Inter-segment	296.8	11.3	–	(308.1)	–
Total revenue	**958.4**	**758.2**	**–**	**(308.1)**	**1,408.5**
EBITDA	**722.7**	**132.9**	**–**	**(1.2)**	**854.4**
Segment result (operating profit) before operating profit from LightSquared and impairment losses	368.2	48.4	–	(1.2)	415.4
Operating profit from LightSquared	192.6	–	–	–	192.6
Impairment losses	–	(141.5)	–	–	(141.5)
Segment result (operating profit/(loss))	**560.8**	**(93.1)**	**–**	**(1.2)**	**466.5**
Net interest charged to the Income	–	–	(99.6)	–	(99.6)
Profit before income tax					**366.9**
Income tax expense					(117.4)
Profit for the year					**249.5**
Segment assets	2,733.5	920.5	183.5	(428.4)	3,409.1
Segment liabilities	(534.1)	(141.2)	(1,711.6)	58.9	(2,328.0)
Investment (included in segment assets)[(b)]	23.5	–	–	–	23.5
Capital expenditure[(c)]	(577.2)	(47.6)	–	0.2	(624.6)
Depreciation	(140.8)	(39.2)	–	–	(180.0)
Amortisation of intangible assets	(21.1)	(44.7)	–	–	(65.8)

(a) Includes Ship Equip from 28 April 2011 (see note 9).
(b) Relates to 19% stake in SkyWave.
(c) Capital expenditure stated using accruals basis.

4. Net interest payable

(US$ in millions)	2012	2011
Interest on Senior Notes and credit facilities	(81.5)	(65.0)
Interest on Convertible Bonds	0.9	(27.5)
Interest on Inmarsat Solutions borrowings	(0.4)	(0.5)
Pension and post-employment liability finance costs	(0.5)	(0.5)
Interest rate swaps	(9.1)	(12.7)
Unwinding of discount on deferred satellite liabilities	(2.2)	(2.6)
Unwinding of discount on Segovia deferred consideration	–	(7.9)
Amortisation of debt issue costs	(5.7)	(11.1)
Amortisation of discount on Senior Notes due 2017	–	(0.6)
Other interest	(0.4)	(0.6)
Interest payable and similar charges	(98.9)	(129.0)
Less: Amounts included in the cost of qualifying assets	42.9	24.4
Total interest payable and similar charges	**(56.0)**	**(104.6)**
Bank interest receivable and other interest	2.3	5.0
Net amortisation of premium on Senior Notes due 2017	0.9	–
Total interest receivable and similar income	**3.2**	**5.0**
Net interest payable	**(52.8)**	**(99.6)**

5. Income tax expense

(US$ in millions)	2012	2011
Current tax expense:		
Current year	(46.9)	(120.8)
Adjustments in respect of prior periods:		
– Other	(2.2)	2.0
Total current tax expense	**(49.1)**	**(118.8)**
Deferred tax (expense)/credit:		
Origination and reversal of temporary differences:		
– Other temporary differences	(50.3)	(8.7)
Adjustments in respect of prior periods:		
– Other	14.8	4.7
Adjustments due to reduction in the Corporation tax from 25% to 23% (2011: 27% to 25%)	8.4	5.4
Total deferred tax (expense)/credit	**(27.1)**	**1.4**
Total income tax expense	**(76.2)**	**(117.4)**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

6. Net borrowings

These balances are shown net of unamortised deferred finance costs as follows:

	As at 31 December 2012			As at 31 December 2011		
(US$ in millions)	**Amount**	**Deferred finance cost**	**Net balance**	**Amount**	**Deferred finance cost**	**Net balance**
Current:						
Bank overdrafts	–	–	–	0.7	–	0.7
Deferred satellite payments	8.3	–	8.3	7.9	–	7.9
EIB Facility[(a)]	44.1	–	44.1	44.1	–	44.1
Convertible bonds[(b)]	–	–	–	307.4	(1.3)	306.1
– Accretion of principal	–	–	–	2.7	–	2.7
Total current borrowings	**52.4**	**–**	**52.4**	**362.8**	**(1.3)**	**361.5**
Non-current:						
Deferred satellite payments	20.4	–	20.4	26.8	–	26.8
Senior Notes due 2017[(c)]	850.0	(11.0)	839.0	650.0	(9.2)	640.8
– Net issuance premium/(discount)	7.5	–	7.5	(3.6)	–	(3.6)
EIB Facility[(a)]	220.2	(1.6)	218.6	264.3	(2.2)	262.1
Ex-Im Bank Facility[(d)]	397.6	(16.3)	381.3	277.3	(14.5)	262.8
Convertible Bonds[(b)]	301.3	(2.0)	299.3	–	–	–
– Accretion of principal	2.9	–	2.9	–	–	–
Total non-current borrowings	**1,799.9**	**(30.9)**	**1,769.0**	**1,214.8**	**(25.9)**	**1,188.9**
Total borrowings[(e)]	**1,852.3**	**(30.9)**	**1,821.4**	**1,577.6**	**(27.2)**	**1,550.4**
Cash and cash equivalents	(332.1)	–	(332.1)	(183.5)	–	(183.5)
Net borrowings	**1,520.2**	**(30.9)**	**1,489.3**	**1,394.1**	**(27.2)**	**1,366.9**

(a) On 15 April 2010, we signed an eight-year facility agreement with the European Investment Bank (the "EIB Facility"). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US Dollars. An initial drawdown of US$180.0m was made on 30 April 2010 and a final drawdown of US$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments on both tranches beginning 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.

(b) On 16 November 2007, we issued US$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 US$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 US$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.

(c) On 12 November 2009, we issued US$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ("Senior Notes due 2017"). The aggregate gross proceeds were US$645.2m, net of US$4.8m issuance discount and we capitalised US$12.5m of issuance costs. On 11 April 2012, we issued a further US$200.0m aggregate principal amount of our Senior Notes due 2017. The aggregate proceeds were US$212.0m, including US$12.0m premium on issuance and we capitalised US$3.8m of issuance costs.

(d) On 11 May 2011, we signed a 12.5-year US$700.0m direct financing agreement with the Export-Import Bank of the United States (the "Ex-Im Bank Facility"). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.

(e) On 30 June 2011, we signed a five-year US$750.0m Senior Credit Facility with a group of commercial banks as lenders. Under the terms of the facility the full US$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 31 December 2012 and 2011, there were no drawings on the Senior Credit Facility.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

7. Dividends

(US$ in millions)	2012	2011
Final dividend for the year ended 31 December 2011 of 24.96 cents (US$) (2010: 22.69 cents (US$)) per share	111.7	104.5
Interim dividend for the year ended 31 December 2012 of 16.94 cents (US$) (2011: 15.40 cents (US$)) per share	75.7	68.9
Total dividend paid in the year	**187.4**	**173.4**

The Inmarsat plc Board of Directors intends to recommend a final dividend of 27.45 cents (US$) per ordinary share in respect of the year ended 31 December 2012 to be paid on 24 May 2013 to ordinary shareholders on the register of members at the close of business on 17 May 2013. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 2 May 2013. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2012. The total dividend paid and proposed for the year ended 31 December 2012 equals 44.39 cents (US$) per ordinary share, a 10.0% increase over 2011, and amounts to US$198.7m.

8. Earnings per share

The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 447,721,218 and potentially in issue of 450,897,323, respectively (2011: 456,383,635 and 460,616,396). 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 31 December 2012, there were a total of 447,861,846 (2011: 447,856,844) ordinary shares in issue.

Adjusted earnings per share

Adjusted earnings per share reflects the basic and diluted earnings per share for the years ended 31 December 2012 and 2011 adjusted to exclude the after-tax effect of the contribution of LightSquared to earnings and the impairment losses.

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.

(US$ in millions)	2012	2011
Earnings attributable to equity holders of the Company	217.1	249.3
Adjustments for:		
LightSquared contribution (net of tax)	(39.2)	(141.6)
Impairment losses (net of tax)	94.7	134.8
Adjusted earnings attributable to equity holders of the company	**272.6**	**242.5**

9. Acquisitions

Acquisition of NewWave Broadband Limited

On 13 January 2012, the Group acquired all of the outstanding and issued common shares of NewWave Broadband Limited for a total consideration of US$7.7m (net of cash acquired). The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. Goodwill recognised on this acquisition amounts to US$2.9m.

Acquisition of Ship Equip

On 28 April 2011, the Group acquired 100% of the outstanding ordinary shares of Ship Equip for a total cash consideration of US$113.2m (net of cash acquired and after hedging the foreign exchange risk). The allocation of the purchase consideration was finalised during the year ended 31 December 2011.

The revenue included in the Income Statement for the year ended 31 December 2011, contributed by Ship Equip since the acquisition date, was US$42.1m. Ship Equip also contributed a loss after tax of US$1.6m during the year ended 31 December 2011. Ship Equip's contribution to revenue and profit after tax for the year ended 31 December 2011, assuming the transaction had occurred on 1 January 2011, would have been US$60.3m and a loss of US$4.6m, respectively.

10. Impairment of intangible assets

In line with IAS 36, 'Impairment of Assets', goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. At 31 December 2012, the Directors believe the goodwill in relation to the Stratos and Ship Equip CGUs, which arose on acquisition of the original businesses in 2007 and 2011, respectively, to be impaired and consequently have recorded impairment losses of US$58.7m and US$36.0m, respectively in the 2012 Income Statement.

During the year ended 31 December 2011, we recorded impairment losses of US$120.0m in relation to goodwill allocated to the Stratos CGU and wrote off US$21.5m to reduce the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil.

11. Contingent liability

The Group has received an enquiry from Her Majesty's Revenue and Customs ('HMRC') into the financing of a finance lease and operating leaseback transaction entered into in 2007 in respect of the Inmarsat-4 satellites. The full tax benefit of the transaction of US$218.6m was recognised and disclosed in the Group's financial statements for the year ended 31 December 2008. The potential current tax liability in relation to the element of the transaction subject to the HMRC enquiry is estimated to be in the region of US$65m. 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 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 31 December 2012, 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.