Inmarsat plc Reports Preliminary Full Year Results 2013

Press release London, UK: 6 March 2014. Inmarsat plc (ISAT.L), the leading provider of global mobile satellite communications services, today reported consolidated preliminary financial results for the year ended 31 December 2013.

Inmarsat plc – Highlights

- Adjusted[1] total revenues $1,249.6m (2012: $1,277.6m)
- Total Inmarsat Global MSS revenue $762.4m up 3.3% (2012: 738.0m)
- Adjusted[2] EBITDA $639.8m (2012: $642.8m)
- Profit before tax $189.1m (2012: $293.6m)
- Adjusted[3] profit before tax $365.3m up 8.6% (2012: $336.4m)
- Final dividend of 28.82 cents (US$) up 5%
- Continued subscriber growth: FleetBroadband, XpressLink, SwiftBroadband
- New CFO announced

Inmarsat Group Limited – Fourth Quarter Highlights

- Inmarsat Global MSS revenues $194.3m up 5.4% (2012: $184.4m)
- Inmarsat Solutions revenues $192.6m (2012: $208.2m)
- Total EBITDA $150.9m (2012: $150.5m)

Rupert Pearce, Inmarsat's Chief Executive Officer, said, "We finished the year strongly with both financial and operational achievements. We saw continued momentum in our wholesale MSS business, with growth of over 5% in the fourth quarter. As a result, we outperformed our 2012-2013 revenue target, delivering a two-year CAGR in our wholesale MSS revenues of 2.9%. We also controlled costs successfully to ensure a strong performance in EBITDA.

"In December, we had a successful launch and deployment of our first Inmarsat-5 satellite, which we now expect to enter commercial service in mid-2014. Alphasat, launched in July 2013, is now in commercial service and has strengthened our L-band network it terms of capacity, capability and resilience.

"Our 2013 achievements mean we enter 2014 with confidence. We have a market-leading MSS business, with growth in key services. In addition, we have new MSS services beginning to make a meaningful contribution and exciting new product launches ahead. In our Global Xpress programme, we remain on track to complete global coverage with two further satellite launches planned before the end of the year and we believe that market appetite remains consistent with our three-year wholesale MSS revenue growth target of between 8% and 12% CAGR for the period 2014-2016."

[1] "Adjusted", as applied to total revenue, excludes $12.3m (2012: $60.2m) of revenue from our Cooperation Agreement with LightSquared.
[2] "Adjusted", as applied to EBITDA, excludes $9.0m (2012: $51.9m) of EBITDA contribution from our Cooperation Agreement with LightSquared.
[3] "Adjusted", as applied to profit before tax, excludes impairment losses of $185.2m (2012: $94.7m) and $9.0m (2012: $51.9m) of profit before tax contribution from our Cooperation Agreement with LightSquared.

Inmarsat plc

(US$ in millions)	2013	2012	Increase/ (decrease)
Inmarsat Global – MSS revenue	762.4	738.0	3.3%
Inmarsat Global – Other income (including LightSquared)	44.6	97.9	(54.4%)
Inmarsat Solutions	765.5	810.3	(5.5%)
	1,572.5	1,646.2	(4.5%)
Intercompany eliminations and adjustments	(310.6)	(308.4)	
Total revenue	**1,261.9**	**1,337.8**	**(5.7%)**

Inmarsat Global[a]

(US$ in millions)	2013	2012	Increase/ (decrease)
Maritime voice services	72.4	79.7	(9.2%)
Maritime data services	358.7	331.5	8.2%
Total maritime sector	431.1	411.2	4.8%
Land mobile voice services	21.6	14.3	51.0%
Land mobile data services	109.6	118.1	(7.2%)
Total land mobile sector	131.2	132.4	(0.9%)
Aviation sector	114.1	100.8	13.2%
Leasing	86.0	93.6	(8.1%)
Total MSS revenue	762.4	738.0	3.3%
Other income (including LightSquared)	44.6	97.9	(54.4%)
Total revenue	**807.0**	**835.9**	**(3.5%)**

(a) Subscription revenues from allowance plans which can be used to access both voice and data services are recorded entirely within the primary revenue category for that service, being data revenues for BGAN and FleetBroadband and voice revenues for IsatPhone Pro.

Maritime

Growth in our maritime data revenues was driven by increased take-up and usage of our FleetBroadband service and by certain pricing and service package changes primarily implemented in May 2012 and March 2013. During the year we added over 7,200 FleetBroadband subscribers of which approximately 1,400 were added during the fourth quarter. Our total installed base for FleetBroadband exceeded 41,000 active terminals at the end of the year. We are continuing to see strong take-up of FleetBroadband subscription-based usage plans, driving ARPU growth and increasing maritime revenue visibility. We believe that FleetBroadband's service capabilities combined with attractive usage plans have materially improved our competitive position in the maritime market.

Land mobile

In the land mobile sector, we saw strong growth in voice services, driven by IsatPhone Pro, offset by a decline in data revenues primarily due to ongoing troop withdrawals from Afghanistan, but also from lower BGAN usage levels more generally. We estimate that global events including Afghanistan contributed $6.7m more revenue in 2012 when compared to 2013. At the end of the year our remaining annual run-rate revenue from Afghanistan was less than $8m. During the year we saw growth in our base of BGAN subscribers and saw encouraging early stage growth in both revenues and terminals from our M2M services.

Aviation and Leasing

The increase in aviation revenue was driven by strong growth 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. Growth in SwiftBroadband revenues was driven by take-up in business aviation and for commercial in-flight passenger connectivity services. The decrease in leasing revenue was due to a reduction in revenue from certain government aviation and maritime contracts.

Inmarsat Solutions

(US$ in millions)	2013	2012	Decrease
Inmarsat MSS	380.4	400.5	(5.0%)
Broadband and Other MSS	385.1	409.8	(6.0%)
Total revenue	**765.5**	**810.3**	**(5.5%)**

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 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 Inmarsat MSS revenues reported by Inmarsat Solutions, even though MSS revenues grew at the wholesale level. In addition, there was a reduction in Swift 64 revenues from certain government customers.

The decline in Broadband and Other MSS revenue was primarily due to a reduction in revenue from the managed network services segment of our US Government business unit. This decrease was primarily due to contract renewals at lower rates and non-renewals following the implementation of US Government defence spending reductions and a related increase in competition, which are market conditions we expect to continue in 2014. The decline was partially offset by growth in VSAT revenues as a result of further take-up of our XpressLink service. At the end of the year we had an installed base of 1,478 ships using our VSAT service, including 792 ships using XpressLink.

Outlook

As our 2013 results show, our Inmarsat Global business has established growth in key L-band services across our market sectors and we believe our competitive position in our core MSS markets is strong. As a result, we expect growth in our L-band MSS services to continue in 2014. With respect to Global Xpress (“GX”), following the successful launch of the first Inmarsat-5 satellite in December 2013, we expect commercial service introduction on a regional basis in the middle of 2014. We therefore expect to begin recognising GX revenues in the second half of the year.

We remain confident that the level of our existing customer commitments for GX services, coupled with strong interest from potential customers and distributors, continue to support our expectations for the commercial success of GX. We are on track to launch two further Inmarsat-5 satellites during 2014, thereby completing global coverage by the end of the year. On this basis we reiterate our three-year revenue growth target of 8% to 12% CAGR for Inmarsat Global wholesale revenues for the 2014-2016 period. However, as 2014 comprises a transitional year in which the GX network is first rolled out and commercialised, we do not expect total Inmarsat Global revenue growth reported for 2014 to be within this target range.

In 2014, like-for-like results for Inmarsat Solutions will be adversely impacted by the full-year effect of lower US Government revenues reported in 2013, but partially offset by growth in other areas, predominately by sales of XpressLink in our Commercial Maritime business unit.

Two other factors influencing results will be the sale of certain of our energy VSAT assets to RigNet and the acquisition of Globe Wireless. Within our Inmarsat Solutions segment we expect the net contribution of these transactions to be a positive impact on EBITDA within the year.

We expect capital expenditure on a cash basis for 2014 to be between $500m and $525m. This range includes expenditure related to the fourth Inmarsat-5 satellite and fully reflects changes we expect as a result of the recent RigNet and Globe Wireless transactions. As a result of these factors, we expect leverage (as measured by our ratio of net debt to EBITDA) to peak at the end of the year at between 3.3 to 3.5 times.

Liquidity

At 31 December 2013, the Inmarsat plc group had net borrowings of $1,842m, made up of cash and cash equivalents of $144m and total borrowings of $1,986m. Including cash and available but undrawn borrowing facilities, the group had total available liquidity of $1,051m. We remain fully-funded as to all our capital needs for the foreseeable future.

Intercompany Reporting Changes

We have made changes to the internal structure of our business that, while having no impact on the total consolidated results, will have an impact on how EBITDA is reported between our Inmarsat Global and Inmarsat Solutions segments, reducing EBITDA reported by Inmarsat Global with a corresponding increase within Inmarsat Solutions.

In December 2013, Inmarsat Global sold certain operational assets to Inmarsat Solutions. These assets will continue to be used by Inmarsat Global and therefore, from January 2014, Inmarsat Global will recognise the cost of using these assets in other net operating costs, by means of an intercompany charge, with Inmarsat Solutions recognising a corresponding revenue amount. Previously, as Inmarsat Global owned these assets, the associated cost was recognised as depreciation expense.

On a pro forma basis, had this change been implemented on 1 January 2013, we estimate that the impact on the 2013 results would have been to move approximately $15m of EBITDA from Inmarsat Global to Inmarsat Solutions. As the nature of these assets and operations is consistent from year to year, we estimate that the impact on 2014 will be similar to the pro forma impact on 2013 stated here.

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 2013 results for Inmarsat Group Limited will be posted to our website on or before 30 April 2014.

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 2013	2012	Increase/ (decrease)
Maritime voice services	18.2	18.7	(2.7%)
Maritime data services	90.0	86.6	3.9%
Total maritime sector	**108.2**	**105.3**	**2.8%**
Land mobile voice services	6.5	5.1	27.5%
Land mobile data services	28.6	26.8	6.7%
Total land mobile sector	**35.1**	**31.9**	**10.0%**
Aviation sector	30.8	27.1	13.7%
Leasing	20.2	20.1	0.5%
Total MSS revenue	**194.3**	**184.4**	**5.4%**
Other income (including LightSquared)	10.5	11.9	(11.8%)
Total revenue	**204.8**	**196.3**	**4.3%**

Inmarsat Solutions

(US$ in millions)	Three months ended 31 December 2013	2012	Decrease
Inmarsat MSS	93.2	97.9	(4.8%)
Broadband and Other MSS	99.4	110.3	(9.9%)
Total revenue	**192.6**	**208.2**	**(7.5%)**

Other Information

Inmarsat management will host a presentation of the Results on Thursday 6 March at Inmarsat, 99 City Road, London EC1Y 1AX. The presentation will begin at 09.00 hrs London time (05.00 hrs EST). A live webcast of the presentation will also be available through our website – www.inmarsat.com/webcast. There is no requirement to register to join the webcast. To register to attend the results presentation in person, please contact Mary Lally at Inmarsat on +44 (0)20 7728 1206, or mary.lally@inmarsat.com. Registration at the event itself will begin at 08.30 hrs on Thursday 6 March.

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.

Contact: Inmarsat plc, London, UK

Investor Enquiries:
Simon Ailes
Tel: +44 (0)20 7728 1518
simon.ailes@inmarsat.com

Media Enquiries:
Chris McLaughlin
Tel: +44 (0)77 9627 6033
christopher.mclaughlin@inmarsat.com

INMARSAT PLC

PRELIMINARY CONSOLIDATED FINANCIAL RESULTS
For the year ended 31 December 2013

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 2012, 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 and that it provides supplemental information to our statement of cash flows.

EBITDA

We define EBITDA as profit before interest, taxation, depreciation and amortisation, loss on disposal of assets, acquisition-related adjustments, impairment losses and share of profit of associates. 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 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 companies, 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 2013. 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 2012 (listed on our website at www.inmarsat.com) and 2013. There have been no changes in the year. However, on 3 January 2014 Rick Medlock, Chief Financial Officer, left the Company. On 21 February 2014, we announced that Tony Bates will join the Company on 2 June 2014 as an Executive Director and Chief Financial Officer. This responsibility statement was approved by the Board of Directors on 6 March 2014 and is signed on its behalf by:

Rupert Pearce
Chief Executive Officer
6 March 2014

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 2013. 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 ("IFRSs") 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 satellite-based networks. We have an in-orbit fleet of 10 owned and operated L-band satellites in geostationary orbit and in December 2013 successfully launched our first Inmarsat-5 Ka-band satellite. 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 telecommunications facilities.

In addition to our established L-band satellite services business, we are implementing our Global Xpress ("GX") programme, a US$1.6 billion investment project. GX will offer seamless global coverage and deliver Ka-band satellite services with broadband speeds of up to 50 Mbps for users in the government, maritime, energy, enterprise and aviation sectors. GX services will be supported by an operational constellation of three Ka-band satellites (with a fourth satellite as an operational spare), the Inmarsat-5 satellites, being built by Boeing Space and Intelligence Systems ("Boeing").

The Group's revenues for the year ended 31 December 2013 were US$1,261.9m (2012: US$1,337.8m), EBITDA was US$648.8m (2012: US$694.7m) and operating profit was US$238.4m (2012: US$346.4m). 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.

Global Xpress Programme Update

Our GX programme remains on track and the delivery schedule for the Inmarsat-5 F2 and F3 satellites continues to provide for a launch programme that will complete global coverage by the end of 2014.

The first Inmarsat-5 satellite was successfully launched on board a Proton Breeze-M rocket from the Baikonur Cosmodrome in Kazakhstan on 8 December 2013. The satellite is now deployed in its orbital position and has completed payload testing prior to the start of GX service testing. The full Commercial Service Introduction in the Indian Ocean region is on schedule and targeted for mid-2014. The Inmarsat-5 F2 and F3 satellites have also been fully assembled and Inmarsat-5 F2 has completed system level thermal vacuum testing.

On 7 October 2013, we announced we had exercised an option to purchase a fourth Inmarsat-5 satellite under our existing contract with Boeing. The fourth Inmarsat-5 satellite has a delivery schedule of mid-2016 and will provide an early available spare in the event of a launch failure of the second or third Inmarsat-5 satellites. In the event the satellite is not required as a launch spare, we are developing an incremental business case to support the launch of the fourth satellite to increase capacity and strategically enhance network coverage. The total cost of the option and certain related expenditure (excluding launch costs) is expected to be between US$220m and US$250m and is included within our total programme cost of US$1.6 billion.

The ground network for GX services is being deployed around the world; the Inmarsat-5 F1 ground stations have been completed and are now in operation in Fucino (Italy) and Nemea (Greece). The ground stations for Inmarsat-5 F2 are also completed and undergoing final testing in North America (Lino Lakes in the US and Winnipeg in Canada), while work for the Inmarsat-5 F3 ground stations is well underway at two New Zealand sites, Auckland and Warkworth.

Our regulatory programme remains on track with orbital slot coordination and market access authorisations proceeding according to plan.

Terminal development contracts have been awarded to several established manufacturers, and cover target markets and applications, including maritime (Cobham, Intellian, JRC), aviation (Honeywell), government (L-3 Global Communications Solutions) and a wide array of land terminals, both fixed and portable, and large and small, for applications in varying environments (Paradigm, Cobham, L-3 Global Communications Solutions, Skyware, Tampa Microwave).

In 2013, we announced the appointment of Imtech Marine, NSSL Global, E-3 Systems and Astrium Services as further Value-Added Resellers ("VARs") of GX services to the maritime market, making eight in total. For the government market, in addition to our long established strategic partnership with Boeing, we announced the appointment of Network Innovations, Globecomm and Astrium Services as GX VARs. In addition, on 10 February 2014, we announced the appointment of ESL Group as a GX VAR for the government market. In the enterprise and energy sectors, in 2013, we announced a global strategic partnership with RigNet covering all energy markets and signed Network Innovations as a VAR. In addition, on 20 February 2014 and 4 March 2014 we announced the signing of Globecomm and IEC Telecom Group, respectively, as enterprise VARs. In the commercial aviation sector, the distribution network has been established, with GoGo and OnAir awarded distribution rights in the commercial air transport market, while Honeywell has been granted exclusive rights as a master distributor for business aviation, with appointments of VARs being made under this umbrella arrangement.

Launch of Alphasat

Following the successful launch of our Alphasat satellite, we announced on 6 August 2013 that Alphasat had successfully reached its temporary test location in geostationary orbit. The Alphasat platform and payload in-orbit testing was completed at the end of September and the satellite was subsequently relocated from its test orbital location and arrived at its final 25E operational location on 8 October 2013. Following further service testing and calibrations the satellite entered commercial service in November 2013.

Alphasat enhances our Inmarsat-4 network and provides in-orbit redundancy, meaning a failure of either Alphasat or any one Inmarsat-4 satellite would not affect our ability to continue to offer global coverage in L-band via the remaining satellites, other than for a relatively short period of disruption.

The Alphasat satellite is capable of providing our services across the complete 41 MHz of L-band mobile satellite spectrum available over the EMEA region. This capability provides greater flexibility in spectrum utilisation compared to the existing Inmarsat-4 satellites, which are limited to providing service across 27 MHz of the L-band. In addition, we expect Alphasat's advanced digital processor capability and optimised antenna coverage will allow up to 50% more capacity for our services as compared to an Inmarsat-4 satellite.

De-orbit of Inmarsat-2 F1

During April 2013, we de-orbited our Inmarsat-2 F1 satellite. The satellite was the first of Inmarsat's second generation and its longest serving. Launched in 1990, with a design life of 10 years, it provided a reliable service for more than 22 years. The satellite carried lease traffic, the bulk of which has been migrated onto our other satellites. We have one Inmarsat-2 satellite remaining in service.

Strategic partnership with RigNet

On 1 August 2013, we announced a strategic partnership with RigNet, Inc. (“RigNet”), a global provider of managed remote telecommunications solutions to the oil and gas industry, to offer GX and L-band services to the energy sector. Under the terms of the agreement, RigNet became a GX distribution partner and entered into a five-year GX capacity pre-purchase agreement. In connection with the agreement, we agreed to sell the majority of our retail energy business to RigNet. On 3 February 2014, following regulatory and other approvals, we announced completion of the sale. The sale included our microwave and WiMAX networks in the US Gulf of Mexico, our VSAT interests in the UK, the US and Canada, our telecommunications systems integration business operating worldwide and our retail L-band energy satcoms business.

The assets and liabilities being transferred to RigNet as part of the transaction are presented at fair value as part of assets held for sale and liabilities directly associated with assets held for sale on the face of the Balance Sheet at 31 December 2013. It is estimated that the retail energy business being disposed of to RigNet contributed US$72.6m of revenue and US$3.8m of EBITDA to the Group during 2013.

Acquisition of TC Communications

On 8 May 2013, we acquired the shares of TC Communications Pty Ltd (“TC Comms”), a company based in Australia. The operations of TC Comms have been integrated within our Inmarsat Solutions business and contribute to our Global Government and Enterprise business units.

Acquisition of Globe Wireless

On 17 December 2013, we announced the Group had agreed to acquire the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC (“Globe Wireless”) for a total consideration of US$45m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. In the 12 months ended 30 June 2013, Globe Wireless reported revenues of US$91m and has an installed customer base of over 6,000 ships. The acquisition of Globe Wireless will benefit Inmarsat’s Commercial Maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The transaction closed on 2 January 2014 and therefore does not impact the 2013 financial results. In 2014, the operations of Globe Wireless will be integrated within our Inmarsat Solutions business and Commercial Maritime business unit.

Inmarsat Global Services

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

- On 18 March 2013, we announced the extension of our strategic relationship with Intellian Technologies, who have designed three new antennas to support our FleetBroadband service;

- On 27 March 2013, we announced the first BGAN machine-to-machine (“M2M”) terminal to receive Hazardous Locations Accreditation. The Hughes BGAN terminal has been certified for operation in hazardous locations where explosive gaseous atmospheres may be present;

- On 4 April 2013, we announced that a new BGAN high data rate (“HDR”) streaming terminal was being developed. The terminal, which offers significantly increased streaming rates, was launched globally in December 2013 and has already seen take-up by leading media organisations. It is expected to have full functionality available during Q1 2014 and is the first terminal capable of accessing Inmarsat's new HDR service;

- On 24 April 2013, we announced that the Hughes 9502 BGAN M2M terminal with integrated antenna had been fully type-approved by Inmarsat and that commercial shipments had begun;

- In July 2013, we launched a new L-TAC service, which uses our global L-band satellites to extend the reach of UHF radios. On 10 September 2013, we announced initial purchases by two government customers of the L-TAC solution;

- On 1 August 2013, we announced we had entered into a strategic collaboration agreement with Pearson to improve access to education and learning in rural and isolated communities around the world. Through this collaboration Pearson will use our BGAN services to enable access to their Education Technology Platforms in areas that currently have little or no communications infrastructure;

- On 20 August 2013, we announced a new collaboration with Cisco to provide the satellite connectivity needed to make Cisco's mobile telemedicine system available in the world's most remote and underserved communities;

- On 22 October 2013, we announced the launch of SwiftBroadband HDR, this new service will offer enhanced streaming IP data rates for SwiftBroadband and is expected to be available in mid-2014;

- On 5 November 2013, we announced a strategic collaboration with Orbcomm Inc., a leading provider of satellite M2M solutions. The collaboration involves joint product development and distribution plans to jointly address growth opportunities in the M2M market; and

- On 18 February 2014, we announced the appointment of Addvalue Technologies and Cobham SATCOM as manufacturing partners for Fleet One, our new voice and data satellite service designed specifically for the maritime leisure and fishing community. Fleet One is expected to enter commercial service in Q2 2014.

In addition, during the period we announced the appointment of Galaxy1 Communications, Stream Communications, KORE, RacoWireless and Pivotel as Inmarsat M2M distribution partners, the appointment of Station711, the MSS operation of RRsat Global Communications Network Ltd as a BGAN distribution partner and the appointment of the ESL group as a Global Government distribution partner, offering a range of L-band services including FleetBroadband, BGAN and IsatPhone Pro.

Inmarsat Solutions Services

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, our hybrid Ku/L-band maritime service.

On 9 May 2013, we announced the extension of our microwave services in the Gulf of Mexico through the introduction of a new stabilised microwave service, designed to expand the reach of our existing Gulf of Mexico service to locations further offshore. These assets were subsequently sold to RigNet as part of the sale of our retail energy assets.

On 4 November 2013, we announced that Intellian's FleetBroadband terminals are now approved for use with our XpressLink service.

On 25 November 2013, we announced that Mol Ship Management Co. Ltd had commenced migrating over 100 vessels from our 200 MB FleetBroadband plan to our larger 6 GB plan.

In addition, take-up of our FleetBroadband Unlimited service continued during the year and we announced that Beltship Management Limited and Swire Pacific Offshore had deployed the service across over 70 vessels.

Chief Financial Officer

On 27 September 2013, we announced that Rick Medlock, Chief Financial Officer, had decided to leave the Company to join a private equity-backed business. Mr Medlock subsequently left the company on 3 January 2014. On 21 February 2014, we announced that Tony Bates will join the Company on 2 June 2014 as an Executive Director and Chief Financial Officer. Mr Bates is an experienced senior finance and business professional and has been the Group Chief Financial Officer of Hibu (previously Yell Group plc) since November 2010.

Non-Executive Directors

On 18 June 2013, we announced the appointments of Dr Abe Peled and Simon Bax as additional non-Executive Directors of the Inmarsat plc Board.

On 5 March 2014, we announced that Admiral James Ellis Jr (Rtd) had retired as a non-Executive Director of the Inmarsat plc Board.

LightSquared Cooperation Agreement

In April 2012, we agreed to amend our Cooperation Agreement with LightSquared and suspend all payments under the agreement until April 2014. As a result LightSquared has no payment obligations under the Cooperation Agreement until April 2014. We continue to recognise some limited amounts under the Cooperation Agreement as we incur certain costs in maintaining our readiness to perform obligations under the agreement. As at 31 December 2013, we had deferred income in relation to the Cooperation Agreement of US$252.6m recorded on our 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)	**2013**	**2012**
Revenue	12.3	60.2
Net operating costs	(3.3)	(8.3)
EBITDA	**9.0**	**51.9**
Income tax expense	(2.1)	(12.7)
Profit for the year	**6.9**	**39.2**

Vertical Market Presentation of Revenue

As in previous periods, the commentary within this report is based on our two operating segments: Inmarsat Global and Inmarsat Solutions. In addition, a breakdown of total revenue by business unit has been provided, which shows our operations by vertical market segment.

Our four market-facing business units are:

- Inmarsat Commercial Maritime, focusing on worldwide commercial maritime opportunities;
- Inmarsat US 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 M2M opportunities.

From 1 January 2014, a fifth business unit will be created; Inmarsat Aviation. Inmarsat Aviation will focus on commercial aviation opportunities, which have previously been reported within our Inmarsat Enterprise business unit.

Dividends

On 24 May 2013, the Company paid a final dividend for the year ended 31 December 2012 of 27.45 cents (US$) per ordinary share. On 25 October 2013, the Company paid an interim dividend of 17.79 cents (US$) per ordinary share in respect of the year ended 31 December 2013.

The Inmarsat plc Board of Directors intends to recommend a final dividend of 28.82 cents (US$) per ordinary share in respect of the year ended 31 December 2013 to be paid on 30 May 2014 to ordinary shareholders on the register of members at the close of business on 16 May 2014. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 7 May 2014. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2013. The total dividend paid and proposed for the year ended 31 December 2013 equals 46.61 cents (US$) per ordinary share, a 5.0% increase over 2012, and amounts to US$208.8m.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat plc for the year ended 31 December 2013. We report two operating segments, Inmarsat Global and Inmarsat Solutions.

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

(US$ in millions)	**2013**	**2012**	**Increase/ (decrease)**
Revenues	**1,261.9**	**1,337.8**	**(5.7%)**
Employee benefit costs	(244.8)	(233.0)	5.1%
Network and satellite operations costs	(281.6)	(295.1)	(4.6%)
Other operating costs	(116.9)	(139.1)	(16.0%)
Own work capitalised	30.2	24.1	25.3%
Total net operating costs	**(613.1)**	**(643.1)**	**(4.7%)**
EBITDA	**648.8**	**694.7**	**(6.6%)**
EBITDA excluding LightSquared	*639.8*	*642.8*	*(0.5%)*
Depreciation and amortisation	(232.0)	(255.2)	(9.1%)
Loss on disposal of assets	(0.1)	(0.5)	(80.0%)
Acquisition-related adjustments	4.6	–	–
Impairment losses	(185.2)	(94.7)	95.6%
Share of profit of associates	2.3	2.1	9.5%
Operating profit	**238.4**	**346.4**	**(31.2%)**
Interest receivable and similar income	4.9	3.2	53.1%
Interest payable and similar charges	(54.2)	(56.0)	(3.2%)
Net interest payable	(49.3)	(52.8)	(6.6%)
Profit before income tax	**189.1**	**293.6**	**(35.6%)**
Income tax expense	(86.5)	(76.2)	13.5%
Profit for the year	**102.6**	**217.4**	**(52.8%)**

Revenues

Total Group revenues for 2013 decreased by 5.7%, compared with 2012, as a result of a reduction in revenues recognised in relation to our Cooperation Agreement with LightSquared and reduced revenues in our Inmarsat Solutions segment, partially offset by growth in wholesale MSS revenues in our Inmarsat Global segment. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

(US$ in millions)	**2013**	**2012**	**Increase/ (decrease)**
Inmarsat Global:			
Wholesale MSS	762.4	738.0	3.3%
LightSquared	12.3	60.2	(79.6%)
Other	32.3	37.7	(14.3%)
Total Inmarsat Global segment	807.0	835.9	(3.5%)
Inmarsat Solutions segment	765.5	810.3	(5.5%)
	1,572.5	1,646.2	(4.5%)
Intercompany eliminations and adjustments	(310.6)	(308.4)	
Total revenue	**1,261.9**	**1,337.8**	**(5.7%)**

Net operating costs

Total Group net operating costs for 2013 decreased by 4.7%, compared with 2012, primarily as a result of cost decreases in our Inmarsat Solutions segment. 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)	2013	2012	Decrease
Inmarsat Global	235.7	238.6	(1.2%)
Inmarsat Solutions	688.3	713.2	(3.5%)
	924.0	951.8	(2.9%)
Intercompany eliminations and adjustments	(310.9)	(308.7)	
Total net operating costs	**613.1**	**643.1**	**(4.7%)**

EBITDA

Group EBITDA for 2013 decreased by 6.6%, compared with 2012; this was primarily as a result of decreased revenue from our Cooperation Agreement with LightSquared and decreased revenue in our Inmarsat Solutions segment, partially offset by increased Inmarsat Global MSS revenues and a reduction in total net operating costs. As a consequence, EBITDA margin has marginally decreased to 51.4% for 2013, compared with 51.9% for 2012. Below is a reconciliation of profit for the year to EBITDA for each of the years indicated:

(US$ in millions)	2013	2012	Increase/ (decrease)
Profit for the year	102.6	217.4	(52.8%)
Add back:			
Income tax expense	86.5	76.2	13.5%
Net interest payable	49.3	52.8	(6.6%)
Depreciation and amortisation	232.0	255.2	(9.1%)
Loss on disposal of fixed assets	0.1	0.5	(80.0%)
Acquisition-related adjustments	(4.6)	–	–
Impairment losses	185.2	94.7	95.6%
Share of profit of associates	(2.3)	(2.1)	9.5%
EBITDA	**648.8**	**694.7**	**(6.6%)**
EBITDA margin %	***51.4%***	***51.9%***	

Depreciation and amortisation

The decrease in depreciation and amortisation of US$23.2m is primarily due to a US$13.4m depreciation adjustment in the Inmarsat Solutions segment to correct the prior period carrying values of certain assets relating to the former Stratos business. In addition, following the 1 August 2013 announcement of the disposal of certain retail energy assets to RigNet, depreciation ceased on these assets as they were transferred to assets held for sale on the Balance Sheet. Additionally, depreciation decreased year-on-year following the impairment of previously capitalised S-band assets through accelerated depreciation in 2012. The decrease in depreciation and amortisation was partially offset by an increase in depreciation in the Inmarsat Global segment in 2013 largely due to the Alphasat satellite entering commercial service (and therefore starting to be depreciated) in November 2013.

Acquisition-related adjustments

During 2013, we recorded an adjustment of US$4.6m (2012: US$nil) relating to a historic tax issue which was settled during the year. A portion of the receivable had previously been written-off as a fair value adjustment in relation to the acquisition in December 2003 of Inmarsat Ventures Limited (a holding company of the Group's operating companies) by Inmarsat Group Holdings Limited (subsequently renamed Inmarsat plc) and the write-back of this element is therefore an acquisition-related adjustment.

Impairment losses

During 2013 we recognised impairment losses of US$185.2m, compared with US$94.7m in 2012. During 2013, the following significant impairment losses were recognised:

- US$9.4m of impairment losses in relation to a correction made to depreciation in 2013 relating to prior periods in the Inmarsat Solutions segment. This resulted in the carrying value of the Stratos cash-generating unit ("CGU") being increased above the estimated recoverable amount of the Stratos CGU at 31 December 2012 and therefore a further impairment charge was recognised based on the revised carrying amount of the CGU at 31 December 2012. There is no impact on reported profit for the year in prior periods due to the offsetting depreciation adjustment and related goodwill impairment;

- US$27.5m of impairment losses in relation to an adjustment to the carrying value of the retail energy assets being disposed of in the RigNet transaction to write them down to their fair value less costs to sell, prior to reclassification as held for sale assets during 2013;
- US$52.0m of impairment losses in relation to the impairment of goodwill and other intangible assets in our Segovia CGU, as a result of ongoing spending controls being implemented by the US Government and by a related increase in competition. Accordingly, we have experienced a significant reduction in revenue and margins; and
- In addition, following annual goodwill impairment reviews, US$61.5m of goodwill was impaired in relation to the Stratos CGU and US$33.5m of goodwill was impaired in relation to the Ship Equip CGU. In both CGUs, the impairment losses are due to further changes arising from our vertical market reorganisation and our preparations for the introduction of GX services. In particular, in the Stratos CGU, the promotion of certain significant customers as distribution partners of Inmarsat Global for GX has significantly reduced forecast revenues and margins in the Stratos CGU, while having no impact on the outlook for the Group as a whole. The Stratos CGU has also faced a decline in demand for certain VSAT products and MSS equipment sales during the year. This, in combination with the faster than expected migration of older services to newer services which typically have a lower price of equivalent services than on the terminal being replaced, has led to operating profit forecasts for these products being reduced. In the Ship Equip CGU, in line with our strategic plan, growth in operating profits is expected to slow as Ship Equip's customer base moves from higher margin VSAT services to GX services.

We remain confident that, at a Group level, legacy Stratos, Segovia and Ship Equip continue to deliver material value, directly or indirectly, to our core wholesale business in accordance with our strategy.

During 2012 we implemented 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. Some of the factors that gave rise to the impairment within the Inmarsat Solutions segment had an offsetting positive benefit within the Inmarsat Global segment and therefore did not result in an equivalent gross impact at the Group level. The impairment loss 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

As a result of the factors discussed above, operating profit during 2013 was US$238.4m, a decrease of US$108.0m, or 31%, compared with 2012.

Interest

Net interest payable for 2013 was US$49.3m, a decrease of US$3.5m, or 6.6%, compared with 2012.

Interest payable for 2013 was US$54.2m, a decrease of US$1.8m, or 3.2%, compared with 2012. The decrease is due to US$79.1m of interest that was capitalised in 2013 that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$42.9m capitalised in 2012. This decrease was partially offset by a non-recurring US$30.2m credit to interest payable in November 2012, arising from an adjustment to the expected maturity date of our Convertible Bonds, and an increase in interest following further drawdowns of our Ex-Im Bank Facility.

Profit before tax
As a result of the factors discussed above, profit before tax for 2013 was US$189.1m, a decrease of US$104.5m, or 36%, compared with 2012.

Income tax expense
The tax charge for 2013 was US$86.5m, an increase of US$10.3m, or 13.5%, compared with 2012. The increase in tax charge is largely driven by a US$53.7m provision for potential tax liabilities in relation to the financing of an historic leasing transaction in respect of the Inmarsat-4 satellites; in light of developments in the year, management now believe that the potential exposure in respect of this transaction should be provided for. Additionally, there were prior year adjustments giving rise to a non-recurring tax charge of US$1.0m (prior year adjustment for 2012 resulted in a non-recurring tax credit of US$12.6m).

The impact of these items was partially offset by a tax credit of US$26.0m in relation to the impairment losses recognised in the year (2012: US$nil) and a non-recurring tax credit of US$23.2m on the revaluation of UK deferred tax liabilities. This arose following the July 2013 substantive enactment of the UK corporation tax rate reduction from 23% to 20%, which will become effective in 2014 and 2015. For 2012, there was a non-recurring tax credit of US$8.4m in respect of the revaluation of UK deferred tax liabilities from 25% to 23%. There were also other non-taxable items arising in 2013 resulting in a tax credit totalling US$6.1m (2012: tax charge totalling US$1.7m). The tax charge also decreased due to a decrease in profit before tax (excluding impairment losses) in 2013.

The effective tax rate for 2013 was 45.7% compared with 26.0% for 2012. Excluding the impact of the US$185.2m of impairment losses on profit before tax (2012: US$94.7m) and in the absence of the above adjustments, the effective tax rates would have been 23.3% for 2013 and 24.6% for 2012. This decrease in the adjusted effective tax rate is primarily due the reduction in the UK main rate of corporation tax from 24% to 23%. While the reduction did not become effective until 1 April 2013, this has the effect of lowering the average UK statutory rate for 2013 to 23.25% (2012: 24.5%).

Profit for the period
As a result of the factors discussed above, profit for 2013 was US$102.6m, a decrease of US$114.8m, or 53%, compared with 2012.

Earnings per share
For 2013, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 23 cents (US$) and 23 cents (US$), respectively, compared with 48 cents (US$) and 48 cents (US$), respectively, for 2012.

The 2013 basic and diluted earnings per share adjusted to exclude the after-tax effect of the the impairment losses and LightSquared contribution, were 57 cents (US$) and 56 cents (US$), respectively, compared with 61 cents (US$) and 60 cents (US$), respectively, for 2012.

Inmarsat Global Results

Revenues
During 2013, although revenues from Inmarsat Global were US$807.0m, a decrease of US$28.9m, or 3.5%, compared with 2012, MSS revenues increased by US$24.4m, or 3.3%, year-on-year. The decrease in total revenues in 2013 is due to the reduction in revenues recognised in relation to our Cooperation Agreement with LightSquared.

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. As in recent periods, growth in our land mobile sector has been partly offset by the continued expected decline in revenues from our BGAN and GAN services due to troop withdrawals from Afghanistan. In addition, we experienced a continued and expected decline in maritime voice revenues due to the impact of product mix changes and, more generally, we have experienced a decline year-on-year in revenues from older services such as Inmarsat B, Mini M, Fleet, GAN and Swift 64, as users continue to migrate to newer services. The results also reflect the expected termination of certain lease business.

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

(US$ in millions)	2013	2012	Increase/ (decrease)
Revenue[a]			
Maritime sector:			
Voice services	72.4	79.7	(9.2%)
Data services	358.7	331.5	8.2%
Total maritime sector	**431.1**	**411.2**	**4.8%**
Land mobile sector:			
Voice services	21.6	14.3	51.0%
Data services	109.6	118.1	(7.2%)
Total land mobile sector	**131.2**	**132.4**	**(0.9%)**
Aviation sector	114.1	100.8	13.2%
Leasing	86.0	93.6	(8.1%)
Total MSS revenue	**762.4**	**738.0**	**3.3%**
Other income (including LightSquared)	44.6	97.9	(54.4%)
Total revenue	**807.0**	**835.9**	**(3.5%)**

(b) Subscription revenues from allowance plans which can be used to access both voice and data services are recorded entirely within the primary revenue category for that service, being data revenues for BGAN and FleetBroadband and voice revenues for IsatPhone Pro.

Total active terminal numbers as at 31 December 2013 increased by 1.3%, compared with 31 December 2012. The table below sets out the active terminals by sector for each of the years indicated:

(000's)	As at 31 December 2013	2012	Increase
Active terminals[a]			
Maritime	188.9	188.1	0.4%
Land mobile[b]	163.8	161.3	1.5%
Aviation	17.0	15.4	10.4%
Total active terminals	**369.7**	**364.8**	**1.3%**

(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 2013, we had 261,180 (2012: 229,881) M2M terminals.

(b) Although at 30 September 2013 Inmarsat Group Limited reported approximately 92,000 IsatPhone Pro active subscribers, in line with our measure of active terminals we derecognised approximately 9,000 IsatPhone Pro units in December 2013. Due in part to a specific change to our prepay service terms, a number of IsatPhone Pro terminals were activated in December 2012, but became inactive in December 2013 in line with our definition.

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 21% year-over-year. This growth has been partially offset by the expected decline in active terminals of older services such as Inmarsat B, Mini M 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 BGAN service. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 41%, year-over-year.

Maritime sector. During 2013, revenues from the maritime sector were US$431.1m, an increase of US$19.9m, or 4.8%, compared with 2012.

Revenues from data services in the maritime sector during 2013 were US$358.7m, an increase of US$27.2m, or 8.2%, compared with 2012. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in May 2012 and March 2013 and by increased take-up and usage of our FleetBroadband service. In particular, we saw increased migration to higher volume allowance and unlimited price plans. During 2013, we added 7,241 FleetBroadband subscribers, taking total active terminals to 41,044. 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. We also continue to believe that the current economic environment for the shipping industry is impacting revenues in the maritime sector.

In addition, the take-up of our retail XpressLink product by ships currently using our existing L-band maritime services impacts the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis largely migrates to our Inmarsat Solutions segment. In due course, after maritime GX services are commercially introduced, such customers will migrate to GX (as they are, in general, contractually committed to do) and increase wholesale revenue reported by Inmarsat Global.

Revenues from voice services in the maritime sector during 2013 were US$72.4m, a decrease of US$7.3m, or 9.2%, compared with 2012. 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.

Land Mobile sector. During 2013, revenues from the land mobile sector were US$131.2m, a decrease of US$1.2m, or 0.9%, compared with 2012.

Revenues from data services in the land mobile sector during 2013 were US$109.6m, a decrease of US$8.5m, or 7.2%, compared with 2012. The decline in revenues is partially due to troop withdrawals from Afghanistan, which primarily impacted revenues from our BGAN service. We estimate that global events including Afghanistan in 2012 contributed US$6.7m more revenue year-over-year, compared with 2013. Underlying land data revenues were also marginally reduced year-over-year due to lower usage on certain services, predominantly our older GAN service, partially offset by growth from our new BGAN M2M and other low data rate services.

Revenues from voice services in the land mobile sector during 2013 were US$21.6m, an increase of US$7.3m, or 51%, compared with 2012. The increase is due to growth in revenues from our IsatPhone Pro service, due to increased usage of active terminals. In line with our measure of active terminals, we derecognised approximately 9,000 IsatPhone Pro units in December 2013. Due in part to a specific change to our prepay service terms, a number of IsatPhone Pro terminals were activated in December 2012, but became inactive in December 2013 in line with our definition. During the year we activated over 28,000 IsatPhone Pro terminals, but allowing for terminals derecognised during the year in line with our policy, our active base at the end of the year was approximately 86,000 (2012: 85,000). Although a larger number of terminals can become inactive in line with our definition, many of these terminals will remain in circulation and may be used again in the future and re-included within active terminals at such time. In addition, our IsatPhone Pro revenues also benefited from pricing and package changes made in June 2012.

Aviation sector. During 2013, revenues from the aviation sector were US$114.1m, an increase of US$13.3m, or 13.2%, compared with 2012. We have seen strong growth in revenues from our SwiftBroadband service, year-over-year, in both the business jet and air transport segments. However, this increase has been partially offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers, including usage related to reduced activity in Afghanistan.

Leasing. During 2013, revenues from leasing were US$86.0m, a decrease of US$7.6m, or 8.1%, compared with 2012. The decrease was expected and is predominantly due to the termination of certain government aviation and maritime contracts.

***Other income*.** Other income for 2013 was US$44.6m, a decrease of US$53.3m, or 54%, compared with 2012. The decrease is due to lower revenues from LightSquared (US$12.3m, in 2013, compared with US$60.2m for 2012). In addition, we recorded lower revenue relating to the sale of terminals and accessories (predominantly in relation to IsatPhone Pro) of US$18.7m during 2013, compared with US$23.5m in 2012.

Net operating costs

Net operating costs for 2013 decreased by 1.2%, compared with 2012. Included within net operating costs for 2013 are net costs in relation to our GX programme totalling US$20.3m (2012: US$15.6m) and costs in relation to the LightSquared Cooperation Agreement of US$3.3m (2012: US$8.3m).

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

(US$ in millions)	**2013**	**2012**	**Increase/ (decrease)**
Employee benefit costs	127.3	109.4	16.4%
Network and satellite operations costs	37.8	39.6	(4.5%)
Other operating costs	94.5	108.7	(13.1%)
Own work capitalised	(23.9)	(19.1)	25.1%
Net operating costs	**235.7**	**238.6**	**(1.2%)**

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is the US Dollar. Approximately 50% of Inmarsat Global's costs are denominated in Pounds Sterling. Net operating costs in 2013 have been impacted by an unfavourable movement in Inmarsat Global's hedged rate of exchange from US$1.48/£1.00 in 2012 to US$1.57/£1.00 in 2013. The movement in the hedged rate of exchange in 2013 resulted in an increase in comparative costs of approximately US$7.6m. We have completed our hedging arrangements for our anticipated Sterling costs in 2014 and as a result expect our hedged rate of exchange for 2014 to be US$1.54/£1.00.

Employee benefit costs. Employee benefits costs for 2013 increased by US$17.9m, or 16.4%, compared with 2012. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (611 at 31 December 2013 compared with 572 at 31 December 2012), primarily as a result of investment in our business units in relation to GX. In addition, there was an unfavourable movement in the Group's hedged rate of exchange and share option costs increased due to additional schemes year-on-year.

Network and satellite operations costs. Network and satellite operations costs for 2013 decreased by US$1.8m, or 4.5%, compared with 2012. The decrease was primarily due to lower in-orbit insurance costs reflecting lower premium rates and a lower total sum insured in line with the depreciation of the Inmarsat-4 satellites.

Other operating costs. Other operating costs for 2013 decreased by US$14.2m, or 13.1%, compared with 2012. In 2013, we recorded a foreign exchange translation gain of US$1.6m, compared with a foreign exchange translation loss of US$5.2m recorded in 2012. The decrease in other operating costs is also due to a provision made for certain doubtful trade receivables in 2012 and reduced advertising and channel support costs in 2013, compared with 2012. In addition, there was a decrease in cost of sales in 2013 due to lower IsatPhone Pro terminal sales year-on-year.

Own work capitalised. Own work capitalised for 2013 increased by US$4.8m, or 25%, compared with 2012, primarily due to an increase in work capitalised in relation to our GX programme.

Operating profit

(US$ in millions)	2013	2012	Increase/ (decrease)
Total revenue	807.0	835.9	(3.5%)
Net operating costs	(235.7)	(238.6)	(1.2%)
EBITDA	**571.3**	**597.3**	**(4.4%)**
EBITDA margin %	*70.8%*	*71.5%*	
EBITDA excluding LightSquared and GX	582.6	561.0	3.9%
EBITDA margin % excluding LightSquared and GX	*73.3%*	*72.3%*	
Depreciation and amortisation	(157.8)	(158.1)	(0.2%)
Acquisition-related adjustments	4.6	–	–
Impairment losses	(1.3)	–	–
Operating profit	**416.8**	**439.2**	**(5.1%)**

As a result of the factors discussed above, Inmarsat Global's operating profit decreased by US$22.4m, or 5.1%, in 2013, compared with 2012.

Inmarsat Solutions Results

Revenues

During 2013, revenues from Inmarsat Solutions decreased by US$44.8m, or 5.5%, compared with 2012. The table below sets out the components of Inmarsat Solutions' revenues for each of the years indicated:

(US$ in millions)	2013	2012	Decrease
Inmarsat MSS	380.4	400.5	(5.0%)
Broadband and Other MSS	385.1	409.8	(6.0%)
Total revenue	**765.5**	**810.3**	**(5.5%)**

Inmarsat MSS. Revenue derived from Inmarsat MSS for 2013 decreased by US$20.1m, or 5.0%, compared with 2012. The decrease in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by a combination of lower leasing revenue and lower land sector revenue from Afghanistan and other world events. 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 Inmarsat MSS revenues, even though Inmarsat Solutions benefited from strong growth in maritime revenues and other factors that contributed to an overall increase in Inmarsat MSS revenues at the wholesale level. In addition, in 2013, Inmarsat Solutions aviation revenue decreased compared with 2012, due to a reduction in US Government Swift 64 revenues, partially offset by non-recurring revenue recognised during the year of US$4.6m in connection with the unused portion of a prepaid capacity contract.

For 2013, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 38%, compared with the 39% share for 2012.

Broadband and Other MSS. Broadband and Other MSS revenues primarily consist of sales of VSAT and microwave services, equipment sales, rental and repairs and revenues from our US Government business relating to the provision of secure IP managed solutions and services to US Government agencies. It also includes an element of revenues from our Commercial Maritime business unit relating to the provision of maritime VSAT communications services, including our XpressLink service, to the shipping, offshore energy and fishing markets. Other revenues included in this category include mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other engineering services. The mix of revenues in our Broadband and Other MSS sector will change following the disposal of certain retail energy assets as part of the RigNet transaction.

Broadband and Other MSS revenues decreased during 2013 by US$24.7m, or 6.0%, compared with 2012. The decrease is due primarily to a reduction in revenue from IP managed solutions in our US Government business unit as a result of contract renewals at lower prices and non-renewals and lower sales of equipment across all business units. There was also a decrease in VSAT revenue in the energy market. These decreases were partially offset by increased Commercial Maritime business unit revenues as a result of growth in the number of ships served with XpressLink, as well as from growth in other business units.

Net operating costs

Net operating costs in 2013 decreased by US$24.9m, or 3.5%, compared with 2012, primarily as a result of decreased costs of goods and services as a result of the decrease in revenues, especially lower MSS revenue and lower sales of equipment, and a decrease in operating costs primarily in our US Government business as a result of a workforce reduction implemented during the year to help offset the revenue and margin pressure in this business.

(US$ in millions)	**2013**	**2012**	**Increase/ (decrease)**
Cost of goods and services[(a)]	514.9	528.8	(2.6%)
Operating costs[(a)]	173.4	184.4	(6.0%)
Total operating costs	**688.3**	**713.2**	**(3.5%)**
Allocated as follows:			
Employee benefit costs	117.5	123.6	(4.9%)
Network and satellite operations costs[(b)]	541.3	555.6	(2.6%)
Other operating costs	34.9	38.7	(9.8%)
Own work capitalised	(5.4)	(4.7)	14.9%
Net operating costs	**688.3**	**713.2**	**(3.5%)**

(a) There has been a change in the allocation of the costs included in cost of goods and services versus operating expenses effective from 1 January 2013, whereby all employee costs and network infrastructure operating costs are now included in operating costs instead of costs of goods and services. The comparative figures for 2012 included in the table above have been restated to reflect this change.

(b) 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 related to our repair and service activity.

Cost of goods and services during 2013 decreased by US$13.9m, or 2.6%, compared with 2012. The decrease is predominantly due to the decrease in revenues, especially lower Inmarsat MSS revenue and lower sales of equipment, partially offset by increased costs in our Commercial Maritime business unit related to the increased maritime VSAT revenue.

Operating costs. Operating costs during 2013 decreased by US$11.0m, or 6.0%, compared with 2012. The decrease is primarily due to a workforce reduction in our US Government business unit and a decrease in other operating costs, partially offset by increased professional fees related to the RigNet transaction and the acquisition of the assets of Globe Wireless.

Operating loss

(US$ in millions)	2013	2012	Increase/ (decrease)
Total revenue	765.5	810.3	(5.5%)
Cost of goods and services	(514.9)	(528.8)	(2.6%)
Gross margin	**250.6**	**281.5**	**(11.0%)**
Gross margin %	*32.7%*	*34.7%*	
Operating costs	(173.4)	(184.4)	(6.0%)
EBITDA	**77.2**	**97.1**	**(20.5%)**
EBITDA margin %	*10.1%*	*12.0%*	
Depreciation and amortisation	(74.2)	(97.1)	(23.6%)
Loss on the disposal of assets	(0.1)	(0.5)	(80.0%)
Impairment losses	(197.4)	(94.7)	108.4%
Share of profit of associates	2.3	2.1	9.5%
Operating loss	**(192.2)**	**(93.1)**	**106.4%**

Inmarsat Solutions' operating loss for 2013 was US$192.2m, an increase of US$99.1m, or 106%, compared with 2012. US$197.4m of impairment losses were recognised in 2013 (2012: US$94.7m); the majority of the Group's impairment losses (as discussed on page 9 and 10) relate to the Inmarsat Solutions segment.

In addition, there has been a decrease in EBITDA, offset by a decrease in depreciation and amortisation. The EBITDA reduction was due primarily to the decrease in revenue and related gross margin, partially offset by the reduction in operating costs. Depreciation and amortisation decreased following certain retail energy assets being sold to RigNet being transferred to assets held for sale on the Balance Sheet on 1 August 2013, at which point depreciation ceased. Depreciation also reduced as a result of the adjustment to correct the prior period carrying values of certain assets relating to the former Stratos business.

Gross margin consists of revenues less direct cost of goods and services. Gross margin and gross margin percentage for 2013 have decreased by US$30.9m and 2.0%, respectively, compared with 2012. These decreases are primarily a result of a reduction in revenue and reduced gross margin percentage in our US Government business unit as a result of lower prices and margins for customer renewals and new revenues.

Inmarsat plc Revenues by Business Unit

Commentary on the Inmarsat Global and Inmarsat Solutions segmental results has been included within the respective sections of this report above. In addition, the table below shows the Group's total revenue split by business unit for each of the periods indicated:

(US$ in millions)	2013	2012	Increase/ (decrease)
Commercial Maritime	524.8	502.6	4.4%
US Government	281.0	352.2	(20.2%)
Global Government	127.3	116.5	9.3%
Enterprise	295.0	280.1	5.3%
Total business unit revenue	1,228.1	1,251.4	(1.9%)
Other income (including LightSquared)	33.8	86.4	(60.9%)
Total revenue	**1,261.9**	**1,337.8**	**(5.7%)**

Commercial Maritime. Commercial Maritime revenues for 2013 increased by US$22.2m, or 4.4%, compared with 2012. The increase is due to growth in our FleetBroadband service and price initiatives implemented in May 2012 and March 2013, partially offset by a reduction in revenues from older maritime services due primarily to the migration to FleetBroadband. There was also an increase in Commercial Maritime VSAT revenue due to take-up of our XpressLink service. These increases were partially offset by lower equipment sales.

US Government. US Government revenues for 2013 decreased by US$71.2m, or 20%, compared with 2012. This decrease is primarily due to lower revenue from IP managed solutions resulting from the non-renewal of certain contracts and the renewal of other contracts at lower prices. There is also lower leasing revenue and lower BGAN and Swift 64 revenues as a result of troop withdrawals from Afghanistan, partially offset by non-recurring revenue recognised during 2013 of US$4.6m in connection with the unused portion of a prepaid capacity contract and growth in our SwiftBroadband service. As previously mentioned, we are continuing to see pressure on our US Government business unit as a result of ongoing spending controls being implemented by the US Government and by a related increase in competition. Accordingly, we have experienced a significant reduction in revenue and margins.

Global Government. Global Government revenues for 2013 increased by US$10.8m, or 9.3%, compared with 2012. The increase is primarily due to increased BGAN usage relating to events in Sub-Saharan Africa in 2013, growth in our SwiftBroadband services and increased equipment sales, as well as the inclusion of revenues from the acquisition of TC Comms, partially offset by decreases in leasing and GAN revenues.

Enterprise. Enterprise revenues for 2013 increased by US$14.9m, or 5.3%, compared with 2012. This was driven by increased aviation revenues as a result of growth in both the business jet and commercial air transport business, increased IsatPhone Pro airtime revenues and increased engineering revenue in the energy market. These increases have been partially offset by lower equipment sales.

Group Liquidity and Capital Resources

At 31 December 2013, the Group had cash and cash equivalents of US$144.3m and available but undrawn borrowing facilities of US$906.5m 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 2013**	**As at 31 December 2012**
EIB Facility	220.3	264.3
Ex-Im Bank Facility	543.5	397.6
Senior Notes due 2017	850.0	850.0
– Net issuance premium	5.9	7.5
Convertible Bonds	325.6	301.3
– Accretion of principal	3.0	2.9
Deferred satellite payments	34.2	28.7
Bank overdrafts	3.5	–
Total borrowings	**1,986.0**	**1,852.3**
Cash and cash equivalents	(144.3)	(332.1)
Net borrowings (gross of deferred finance costs)[a]	**1,841.7**	**1,520.2**

(a) Please see note 6 for additional information on the Group's net borrowings.

The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2013 and 2012:

(US$ in millions)	2013	2012
Net cash from operating activities	597.1	659.5
Net cash used in investing activities, excluding capital expenditure	(3.2)	(15.1)
Capital expenditure, including own work capitalised	(580.5)	(484.0)
Dividends paid	(200.5)	(186.6)
Net cash (used in)/from financing activities, excluding dividends paid	(4.0)	175.5
Foreign exchange adjustment	(0.2)	–
Net (decrease)/increase in cash and cash equivalents	**(191.3)**	**149.3**

The decrease in net cash generated from operating activities in 2013, compared with 2012, of US$62.4m primarily relates to movements in working capital and decreased EBITDA in 2013, partially offset by lower cash tax paid.

The decrease in net cash used in investing activities excluding capital expenditure in 2013, compared with 2012, was US$11.9m. During 2013, we paid US$3.2m in respect of current year acquisitions and deferred consideration in relation to previous investments. 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.

Capital expenditure, including own work capitalised, increased by US$96.5m in 2013, compared with 2012, primarily due to expenditure on our GX and Alphasat programmes.

During 2013, net cash used in financing activities, excluding the payment of dividends was US$4.0m, compared with net cash from financing activities, excluding the payment of dividends of US$175.5m in 2012. During 2013, we drew down US$145.9m of our Ex-Im Bank Facility. This cash inflow was offset by the payment of US$100.6m of cash interest, a US$44.0m repayment of our EIB Facility and US$5.0m of fees paid in relation to debt drawdowns.

By comparison, 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. Offsetting the cash inflow, we paid cash interest of US$97.5m, repaid US$44.1m of our EIB Facility, paid fees in relation to debt drawdowns of US$8.1m and paid US$9.9m to repurchase our own shares.

Group Free Cash Flow

(US$ in millions)	2013	2012
Cash generated from operations	614.8	726.9
Capital expenditure, including own work capitalised	(580.5)	(484.0)
Net cash interest paid	(98.0)	(95.7)
Cash tax paid	(20.3)	(69.2)
Free cash flow	**(84.0)**	**78.0**

In 2013, we had negative free cash flow of US$84.0m, compared with positive free cash flow of US$78.0m in 2012. The decrease is primarily due to a reduction in cash generated from operations and increased capital expenditures, partially offset by reduced cash tax paid.

Group Balance Sheet

The table below shows the condensed consolidated Group Balance Sheet at 31 December 2013 and 2012:

(US$ in millions)	As at 31 December 2013	As at 31 December 2012
Non-current assets	3,356.2	3,099.1
Current assets	512.6	653.9
Total assets	**3,868.8**	**3,753.0**
Current liabilities	(1,038.8)	(665.7)
Non-current liabilities	(1,782.2)	(1,961.4)
Total liabilities	**(2,821.0)**	**(2,627.1)**
Net assets	**1,047.8**	**1,125.9**

The increase in the Group's non-current assets of US$257.1m is due primarily to property, plant and equipment additions in 2013 as a result of our GX and Alphasat programmes. Additionally, the Group recognised a deferred tax asset of US$21.3m for the year ended 31 December 2013 (2012: US$nil). Offsetting the increase were US$147.0m of impairment losses recognised in relation to the impairment of goodwill and other intangible assets previously recognised when we acquired our Stratos, Segovia and Ship Equip businesses, and a US$9.4m impairment loss recognised in respect of our Stratos CGU, following a correction of prior period depreciation. In addition, our retail tangible and intangible energy assets being transferred to held for sale on the Balance Sheet were impaired by US$27.5m to write them down to their fair value less costs to sell. Following the impairment, the remaining retail non-current energy assets were transferred to assets held for sale within current assets on the Balance Sheet, further decreasing the non-current asset balance.

The decrease in current assets of US$141.3m is due predominantly to a decrease in cash and cash equivalents from US$332.1m at 31 December 2012 to US$144.3m at 31 December 2013. Offsetting the decrease in cash and cash equivalents is US$42.8m of assets classified as held for sale within current assets (in relation to our agreement to sell the majority of our retail energy assets to RigNet) on the Balance Sheet at 31 December 2013; part of this balance would have been included in non-current assets for the year ended 31 December 2012.

The increase in current liabilities of US$373.1m relates primarily to the reclassification of the liability component of the Convertible Bonds from non-current to current. Although our outstanding Convertible Bonds do not mature until November 2017, holders have the right to require the Company to redeem any or all of the bonds at their accreted principal amount on 16 November 2014. As this has been deemed the most likely maturity date, the Convertible Bonds have been reclassified to a current liability as at 31 December 2013. In addition, during 2013, current income tax liabilities increased by US$67.5m to US$100.2m at 31 December 2013. The increase has been partially offset by a US$48.0m decrease in trade and other payables to US$515.7m at 31 December 2013.

The decrease in non-current liabilities of US$179.2m relates primarily to a decrease in non-current borrowings of US$211.0m to US$1,558.0m at 31 December 2013. The decrease in non-current borrowings is due to the reclassification of the liability component of the Convertible Bonds to current liabilities and a US$44.0m repayment of our EIB Facility, partially offset by a net US$132.6m increase in our Ex-Im Bank Facility (made up of US$145.9m drawn down under the facility during 2013, offset by US$13.3m reclassified to current borrowings). Partially offsetting the decrease in non-current liabilities was a US$32.8m increase in deferred income tax liabilities to US$174.1m at 31 December 2013.

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 currently maintain a level of in-orbit insurance for our Inmarsat-4 satellite fleet (including Alphasat) and have obtained launch insurance for 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.

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

Distribution

Although we have a retail operation, we continue to rely in part on other third party distribution partners and service providers to sell our services to end-users, and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Alternatively, changes in our business model could affect the willingness of third party distribution partners to continue to offer our services.

Spectrum

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

Regulation

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

Next generation services and satellites

We are currently in the process of implementing a major investment programme, GX, which includes the deployment of a global network of three 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. While we believe that our L-band product offerings remain competitive in the markets we serve and that our investment in GX will position us favourably to compete with VSAT providers in the future, technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors, including the maritime and aviation sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our land mobile services in those areas.

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

Proposed ATC services in North America or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. We cannot be certain that the development of hybrid networks, including ATC, in North America or other countries will not result in harmful interference to our operations. If we are unable to prevent or mitigate against such interference it could have an effect on our operations, revenues, profitability and liquidity.

LightSquared Cooperation Agreement

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

Related party transactions

There have been no material changes in the related party transactions described on page 98 and 99 of the 2012 Inmarsat plc Annual Report and Accounts.

Recent events

On 17 December 2013, we announced the Group had agreed to acquire the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC ("Globe Wireless") for a total consideration of US$45m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. In the 12 months ended 30 June 2013, Globe Wireless reported revenues of US$91m and currently has an installed customer base of over 6,000 ships. The acquisition of Globe Wireless will benefit Inmarsat's maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The transaction closed on 2 January 2014 and therefore does not impact the 2013 financial results. In 2014, the operations of Globe Wireless will be integrated within our Inmarsat Solutions business and Commercial Maritime business unit.

On 3 February 2014, we announced that, following regulatory and other approvals, the sale of the majority of our retail energy business to RigNet, Inc. has now been completed.

Subsequent to 31 December 2013, 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
6 March 2014

INMARSAT PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

(US$ in millions)	2013	2012
Revenues	**1,261.9**	**1,337.8**
Employee benefit costs	(244.8)	(233.0)
Network and satellite operations costs	(281.6)	(295.1)
Other operating costs	(116.9)	(139.1)
Own work capitalised	30.2	24.1
Total net operating costs	**(613.1)**	**(643.1)**
EBITDA	**648.8**	**694.7**
Depreciation and amortisation	(232.0)	(255.2)
Loss on disposal of assets	(0.1)	(0.5)
Acquisition-related adjustments	4.6	–
Impairment losses	(185.2)	(94.7)
Share of profit of associates	2.3	2.1
Operating profit	**238.4**	**346.4**
Interest receivable and similar income	4.9	3.2
Interest payable and similar charges	(54.2)	(56.0)
Net interest payable	(49.3)	(52.8)
Profit before income tax	**189.1**	**293.6**
Income tax expense	(86.5)	(76.2)
Profit for the year	**102.6**	**217.4**
Attributable to:		
Equity holders	**102.0**	**217.1**
Non-controlling interest	**0.6**	**0.3**
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)		
– Basic	0.23	0.48
– Diluted	0.23	0.48
Adjusted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)		
– Basic	0.57	0.61
– Diluted	0.56	0.60

INMARSAT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

(US$ in millions)	2013	2012
Profit for the year	**102.6**	**217.4**
Other comprehensive income		
Amounts subsequently reclassified to the Income Statement:		
Foreign exchange translation differences	(0.2)	–
Net gains on cash flow hedges	14.7	11.4
Tax charged directly to equity	(3.6)	(2.5)
Amounts not subsequently reclassified to the Income Statement:		
Actuarial gains from pension and post-employment benefits	2.7	4.4
Tax charged directly to equity	(0.6)	(1.2)
Other comprehensive income for the year, net of tax	**13.0**	**12.1**
Total comprehensive income for the year, net of tax	**115.6**	**229.5**
Attributable to:		
Equity holders	**115.0**	**229.2**
Non-controlling interest	**0.6**	**0.3**

INMARSAT PLC
CONSOLIDATED BALANCE SHEET
As at 31 December 2013

(US$ in millions)	2013	2012
Assets		
Non-current assets		
Property, plant and equipment	2,495.9	2,081.6
Intangible assets	781.1	970.5
Investments	32.7	31.6
Other receivables	21.6	15.4
Deferred income tax assets	21.3	–
Derivative financial instruments	3.6	–
	3,356.2	**3,099.1**
Current assets		
Cash and cash equivalents	144.3	332.1
Trade and other receivables	277.0	290.0
Inventories	27.7	25.4
Current income tax assets	11.6	–
Derivative financial instruments	9.2	6.4
Assets held for sale	42.8	–
	512.6	**653.9**
Total assets	**3,868.8**	**3,753.0**
Liabilities		
Current liabilities		
Borrowings	399.1	52.4
Trade and other payables	515.7	563.7
Provisions	4.3	5.5
Current income tax liabilities	100.2	32.7
Derivative financial instruments	0.5	11.4
Liabilities directly associated with assets held for sale	19.0	–
	1,038.8	**665.7**
Non-current liabilities		
Borrowings	1,558.0	1,769.0
Other payables	26.2	25.7
Provisions	23.9	25.4
Deferred income tax liabilities	174.1	141.3
	1,782.2	**1,961.4**
Total liabilities	**2,821.0**	**2,627.1**
Net assets	**1,047.8**	**1,125.9**
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	687.4	687.4
Equity reserve	56.9	56.9
Other reserves	62.9	43.5
Retained earnings	240.0	336.7
Equity attributable to shareholders of the parent	**1,047.5**	**1,124.8**
Non-controlling interest	**0.3**	**1.1**
Total equity	**1,047.8**	**1,125.9**

INMARSAT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

(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 2012	**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**
Share options charge	–	–	–	5.0	–	–	–	3.5	1.6	–	10.1
Dividends paid	–	–	–	–	–	–	–	–	(202.4)	(0.2)	(202.6)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Comprehensive Income:											
Profit for the period	–	–	–	–	–	–	–	–	102.0	0.6	102.6
Other comprehensive income – before tax	–	–	–	–	14.7	–	(0.2)	–	2.7	–	17.2
Other comprehensive income – tax	–	–	–	–	(3.6)	–	–	–	(0.6)	–	(4.2)
Balance at 31 December 2013	**0.3**	**687.4**	**56.9**	**61.5**	**8.6**	**0.6**	**0.2**	**(8.0)**	**240.0**	**0.3**	**1,047.8**

(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 2013

(US$ in millions)	2013	2012
Cash flow from operating activities		
Cash generated from operations	614.8	726.9
Interest received	2.6	1.8
Income taxes paid	(20.3)	(69.2)
Net cash inflow from operating activities	**597.1**	**659.5**
Cash flow from investing activities		
Purchase of property, plant and equipment	(516.1)	(437.2)
Additions to capitalised development costs and other intangibles	(35.1)	(22.9)
Own work capitalised	(29.3)	(23.9)
Acquisition of subsidiaries and other investments	(3.2)	(15.1)
Net cash used in investing activities	**(583.7)**	**(499.1)**
Cash flow from financing activities		
Dividends paid to shareholders	(200.5)	(186.6)
Repayment of EIB Facility	(44.0)	(44.1)
Drawdown of Ex-Im Bank Facility	145.9	120.3
Gross issuance proceeds of Senior Notes due 2017	–	212.0
Interest paid on borrowings	(100.6)	(97.5)
Arrangement costs of financing	(5.0)	(8.1)
Purchase of own shares	–	(9.9)
Net proceeds from the issue of ordinary shares	–	3.5
Other financing activities	(0.3)	(0.7)
Net cash used in financing activities	**(204.5)**	**(11.1)**
Foreign exchange adjustment	(0.2)	–
Net (decrease)/increase in cash and cash equivalents	**(191.3)**	**149.3**
Movement in cash and cash equivalents		
At beginning of year	332.1	182.8
Net (decrease)/increase in cash and cash equivalents	(191.3)	149.3
As reported on Balance Sheet (net of bank overdrafts)	**140.8**	**332.1**
At end of year, comprising		
Cash at bank and in hand	50.4	57.0
Short-term deposits with original maturity of less than three months	93.9	275.1
Bank overdrafts	(3.5)	–
	140.8	**332.1**

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 6 March 2014.

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 2013 and 31 December 2012, 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 2013 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 2012 have been delivered to the Registrar of Companies.

The auditor has reported on the consolidated financial statements for the years ended 31 December 2013 and 2012. 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 2013 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 2012 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 2012 annual consolidated financial statements prepared under IFRS, set out on pages 61 to 99. The consolidated Balance Sheet as at 31 December 2013 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

Basis of accounting

In the current year the Group adopted the amendments to IAS 1 Presentation of Items of Other Comprehensive Income, which is effective for financial years beginning on or after 1 July 2012. The amendment requires that items within the statement of comprehensive income are analysed between those that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been re-presented to reflect the change.

In the current year the Group has applied IAS 19 Employee Benefits (as revised in June 2011), which is effective for financial years beginning on or after 1 January 2013. The Standard changes the accounting for defined benefit schemes and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and scheme assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of scheme assets when they occur; however, this does not affect our financial statements as all actuarial gains and losses have always been recognised immediately. In addition, the interest cost and expected return on scheme assets used in the previous version of the Standard are replaced with a 'net interest' amount, which is calculated by applying a discount rate to the net defined benefit liability or asset. The effect of the change on the Income Statement and Statement of Other Comprehensive Income for current or prior years is not material. The Standard also introduces requirements for more extensive disclosures which have been adopted by the Group.

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 (amended) – Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2013);
- IFRS 13 – Fair Value Measurement (effective for financial years beginning on or after 1 January 2013);
- IAS 12 (amended) – Income Taxes – Deferred Tax: Recovery of Underlying Assets (effective for financial years beginning on or after 1 January 2013;
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013); and
- Amendments resulting from the 'Annual Improvements 2009-2011 cycle' paper issued in May 2012 (effective for financial years beginning on or after 1 January 2013).

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

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

Segment information:

	2013				
(US$ in millions)	**Inmarsat Global**	**Inmarsat Solutions[(a)]**	**Unallocated**	**Eliminations and remeasurements**	**Total**
Revenue					
External sales	514.3	749.3	–	(1.7)	1,261.9
Inter-segment	292.7	16.2	–	(308.9)	–
Total revenue	**807.0**	**765.5**	**–**	**(310.6)**	**1,261.9**
EBITDA	**571.3**	**77.2**	**–**	**0.3**	**648.8**
Segment result (operating profit) before operating profit from LightSquared and impairment losses	409.1	5.2	–	0.3	414.6
Operating profit from LightSquared	9.0	–	–	–	9.0
Impairment losses	(1.3)	(197.4)	–	13.5	(185.2)
Segment result (operating profit/(loss))	**416.8**	**(192.2)**	**–**	**13.8**	**238.4**
Net interest charged to the Income Statement	–	–	(49.3)	–	(49.3)
Profit before income tax					**189.1**
Income tax expense					(86.5)
Profit for the year					**102.6**
Capital expenditure[(b)]	(579.8)	(123.7)	–	46.9	(656.6)
Depreciation	(135.4)	(29.8)	–	–	(165.2)
Amortisation of intangible assets	(22.4)	(44.4)	–	–	(66.8)

(a) Includes TC Communications Pty Ltd ("TC Comms") from 8 May 2013 (see note 10).

(b) Capital expenditure stated using accruals basis. The intercompany elimination primarily relates to intersegmental asset sales.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

	2012				
(US$ in millions)	Inmarsat Global	Inmarsat Solutions[(a)]	Unallocated	Eliminations and remeasurements	Total
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 Statement	–	–	(52.8)	–	(52.8)
Profit before income tax					**293.6**
Income tax expense					(76.2)
Profit for the year					**217.4**
Capital expenditure[(b)]	(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.

(b) Capital expenditure stated using accruals basis.

4. Net interest payable

(US$ in millions)	2013	2012
Interest on Senior Notes and credit facilities	(84.9)	(81.5)
Interest on Convertible Bonds[(a)]	(29.5)	0.9
Interest on Inmarsat Solutions borrowings	(0.5)	(0.4)
Pension and post-employment liability finance costs	–	(0.5)
Interest rate swaps	(8.0)	(9.1)
Unwinding of discount on deferred satellite liabilities	(1.8)	(2.2)
Amortisation of debt issue costs	(8.2)	(5.7)
Other interest	(0.4)	(0.4)
Interest payable and similar charges	(133.3)	(98.9)
Less: Amounts included in the cost of qualifying assets	79.1	42.9
Total interest payable and similar charges	**(54.2)**	**(56.0)**
Bank interest receivable and other interest	3.3	2.3
Net amortisation of premium on Senior Notes due 2017	1.5	0.9
Pension and post-employment liability finance income	0.1	–
Total interest receivable and similar income	**4.9**	**3.2**
Net interest payable	**(49.3)**	**(52.8)**

(a) 2012 includes a US$30.2m credit adjustment to interest on the Convertible Bonds following a change in the estimated maturity date.

5. Income tax expense

(US$ in millions)	2013	2012
Current tax expense:		
Current year	(30.0)	(46.9)
Adjustments in respect of prior periods:		
– Other[(a)]	(46.7)	(2.2)
Total current tax expense	**(76.7)**	**(49.1)**
Deferred tax expense:		
Origination and reversal of temporary differences:		
– Other temporary differences	(29.9)	(50.3)
Adjustments in respect of prior periods:		
– Other[(a)]	(3.1)	14.8
Adjustments due to reduction in the UK corporation tax rate from 23% to 20% (2012: 25% to 23%)	23.2	8.4
Total deferred tax expense	**(9.8)**	**(27.1)**
Total income tax expense	**(86.5)**	**(76.2)**

(a) Of the total US$49.8m prior period adjustment recognised in 2013, US$48.8m relates to a provision for potential tax liabilities in relation to the financing of a historic leasing transaction in respect of the Inmarsat-4 satellites. This exposure was previously disclosed as a contingent liability, however, in light of developments in the year, management now believe that the potential exposure in respect of this transaction should be provided for.

6. Net borrowings

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

	As at 31 December 2013			As at 31 December 2012		
(US$ in millions)	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	3.5	–	3.5	–	–	–
Deferred satellite payments	10.6	–	10.6	8.3	–	8.3
EIB Facility[(a)]	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facility[(b)]	13.3	–	13.3	–	–	–
Convertible Bonds[(c)]	325.6	(1.0)	324.6	–	–	–
– Accretion of principal	3.0	–	3.0	–	–	–
Total current borrowings	**400.1**	**(1.0)**	**399.1**	**52.4**	**–**	**52.4**
Non-current:						
Deferred satellite payments	23.6	–	23.6	20.4	–	20.4
Senior Notes due 2017[(d)]	850.0	(8.7)	841.3	850.0	(11.0)	839.0
– Net issuance premium	5.9	–	5.9	7.5	–	7.5
EIB Facility[(a)]	176.2	(1.1)	175.1	220.2	(1.6)	218.6
Ex-Im Bank Facility[(b)]	530.2	(18.1)	512.1	397.6	(16.3)	381.3
Convertible Bonds[(c)]	–	–	–	301.3	(2.0)	299.3
– Accretion of principal	–	–	–	2.9	–	2.9
Total non-current borrowings	**1,585.9**	**(27.9)**	**1,558.0**	**1,799.9**	**(30.9)**	**1,769.0**
Total borrowings[(e)]	**1,986.0**	**(28.9)**	**1,957.1**	**1,852.3**	**(30.9)**	**1,821.4**
Cash and cash equivalents	(144.3)	–	(144.3)	(332.1)	–	(332.1)
Net borrowings	**1,841.7**	**(28.9)**	**1,812.8**	**1,520.2**	**(30.9)**	**1,489.3**

(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 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.

(c) 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. The amortised cost was adjusted in 2012 and as at 31 December 2012 the Convertible Bonds were recorded as a long-time liability. As at 31 December 2013, the Convertible Bonds have been recorded as a current liability.

(d) 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 gross proceeds were US$212.0m, including US$12.0m premium on issuance and we capitalised US$3.8m of issuance costs.

(e) On 30 June 2011, we signed a five-year US$750.0m revolving credit facility ("Senior Credit Facility") with a group of commercial banks as lenders. 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 2013 and 2012, there were no drawings on the Senior Credit Facility.

7. Financial instruments fair value disclosures

The Group held the following financial instruments at fair value at 31 December 2013. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

(US$ in millions)	**As at 31 December 2013**
Recurring fair value measurements:	
Financial assets:	
Forward foreign currency contracts – designated cash flow hedges	12.1
Forward foreign currency contracts – undesignated	0.7
Financial liabilities:	
Forward foreign currency contracts – designated cash flow hedges	(0.5)
Total net fair value	**12.3**

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value is based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end.

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

(US$ in millions)	Carrying Value As at 31 December 2013	Carrying Value As at 31 December 2012	Fair Value As at 31 December 2013	Fair Value As at 31 December 2012
Financial liabilities:				
Senior Notes due 2017	850.0	850.0	885.6	912.7
Convertible Bonds	325.6	301.3	392.0	374.8

8. Dividends

(US$ in millions)	2013	2012
Final dividend for the year ended 31 December 2012 of 27.45 cents (US$) (2011: 24.96 cents (US$)) per share	122.8	111.7
Interim dividend for the year ended 31 December 2013 of 17.79 cents (US$) (2012: 16.94 cents (US$)) per share	79.6	75.7
Total dividend paid in the year	**202.4**	**187.4**

The Inmarsat plc Board of Directors intends to recommend a final dividend of 28.82 cents (US$) per ordinary share in respect of the year ended 31 December 2013 to be paid on 30 May 2014 to ordinary shareholders on the register of members at the close of business on 16 May 2014. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 7 May 2014. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2013. The total dividend paid and proposed for the year ended 31 December 2013 equals 46.61 cents (US$) per ordinary share, a 5.0% increase over 2012, and amounts to US$208.8m.

9. Earnings per share

The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 448,167,216 and potentially in issue of 452,755,431, respectively (2012: 447,721,218 and 450,897,323). 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 2013, there were a total of 448,301,122 (2012: 447,861,846) 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 2013 and 2012 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)	2013	2012
Profit attributable to equity holders of the Company	102.0	217.1
Adjustments for:		
LightSquared contribution (net of tax)	(6.9)	(39.2)
Impairment losses (net of tax)	159.2	94.7
Adjusted profit attributable to equity holders of the company	**254.3**	**272.6**

The Convertible Bonds could potentially dilute earnings per share in the future; however they have not been included in the calculation of diluted earnings per share as they are antidilutive for both the periods presented.

10. Acquisitions

Acquisition of TC Communications

On 8 May 2013, the Group acquired the shares of TC Communications Pty Ltd ("TC Comms"), a company based in Australia. The operations of TC Comms have been integrated within the Inmarsat Solutions business and contribute to the Global Government and Enterprise business units.

TC Comms has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. The Group has not presented a full acquisition note in line with IFRS 3 as the acquisition is not considered to be material.

11. Impairment of tangible and intangible assets

During 2013, a US$9.4m goodwill impairment loss was booked in relation to the Stratos cash-generating unit ("CGU"), this relates to a correction made to depreciation in 2013 relating to prior periods in the Inmarsat Solutions segment. This resulted in the carrying value of the Stratos CGU being increased above the estimated recoverable amount of the Stratos CGU at 31 December 2012 and therefore a further impairment charge was recognised based on the revised carrying amount of the CGU at 31 December 2012.

In addition, a US$27.5m impairment charge was booked across various categories of tangible and intangible assets (including goodwill), in relation to an adjustment to the carrying value of the retail energy assets being disposed of in the RigNet transaction to write them down to their fair value less costs to sell, prior to their reclassification as held for sale assets during 2013.

Annually, in line with IAS 36, 'Impairment of Assets', goodwill is tested for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing. Following the annual impairment reviews, the Directors believe the goodwill in relation to the Stratos, Segovia and Ship Equip CGUs, which arose on acquisition of the original businesses in 2007, 2010 and 2011, respectively, to be impaired and consequently have recorded impairment losses of US$61.5m, US$34.2m and US$33.5m, respectively, in the 2013 Income Statement. In the Segovia CGU, customer relationships were also impaired by US$17.8m, following the annual impairment review.

During the year ended 31 December 2012, we recorded an impairment loss on goodwill of US$94.7m in relation to the Stratos and Ship Equip CGUs. The impairment losses booked were US$58.7m and US$36.0m, respectively.

12. Contingent liability

The Group has received enquiries from Her Majesty's Revenue and Customs ("HMRC") in respect of financing arrangements which have been entered into in prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of US$18m. The Group has sought external advice and management does not believe that a material economic outflow is probable; therefore no provision has been recorded in these financial statements. However, this disclosure has been made in light of the ongoing enquiries being made by HMRC.

No accurate estimation of the time required to settle this matter can currently be given.

13. Events after the Balance Sheet date

On 17 December 2013, we announced the Group had agreed to acquire the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC ("Globe Wireless") for a total consideration of US$45m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. In the 12 months ended 30 June 2013, Globe Wireless reported revenues of US$91m and currently has an installed customer base of over 6,000 ships. The acquisition of Globe Wireless will benefit Inmarsat's Commercial Maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The transaction closed on 2 January 2014 and therefore does not impact the 2013 financial results. The acquisition will be accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. The allocation of the purchase consideration has not been finalised and is expected to be completed in 2014. In 2014, the operations of Globe Wireless will be integrated within our Inmarsat Solutions business and Commercial Maritime business unit.

On 3 February 2014, we announced that, following regulatory and other approvals, the sale of the majority of our retail energy business to RigNet, Inc. has now been completed.

Subsequent to 31 December 2013, 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.