Inmarsat plc reports Preliminary Full Year Results 2014

Major steps towards delivering transformational growth opportunities

London, UK: 5 March 2015. Inmarsat plc (LSE: ISAT.L), the leading provider of global mobile satellite communications services, today provided the following information for the twelve months ended 31 December 2014.

Full Year Financial Headlines

- Total revenues $1,285.9m (2013: $1,261.9m)
  - Maritime up $70.8m to $595.6m (+13.5%); underlying growth (excl. acquisition) +3.2%
  - Government down $88.4m to $319.9m (-21.7%)
  - Enterprise down $54.9m to $166.7m (-24.8%); underlying growth (excl. disposal) +6.2%
  - Aviation up $27.7m to $101.1m (+37.7%)
  - $75.4m from LightSquared (2013: $12.3m)
- Wholesale Mobile Satellite Service (MSS) revenues $791.4m, up 3.8% (2013: $762.4m)
- EBITDA[1] $701.0m (2013: $648.8m)
- Profit after tax $341.1m (2013: $102.6m)
- Final dividend increased by 5% to 30.26 cents/share (2013: 28.82 cents/share)

Business Highlights

- Global Xpress (GX) commercial services started on Inmarsat-5 F1 on 1 July 2014; I-5 F2 launched successfully on 1 February 2015
- European aviation network programme announced; first MSS and ground licences acquired
- Acquisition of Globe Wireless, disposal of retail energy related assets and 19% stake in SkyWave
- Issue of $1 billion of 4.875% Senior Notes due 2022
- Innovative new products and services launched across all Business Units

Fourth Quarter Financial Headlines

- Total revenues $333.0m (2013: $314.8m)
  - $18.5m from LightSquared (Q4 2013: $2.4m)
- Wholesale Mobile Satellite Service (MSS) revenues $211.8m, up 9.0% (2013: $194.4m)
- EBITDA[1] $165.3m (2013: $150.9m)

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

Rupert Pearce, Inmarsat's Chief Executive Officer, commented,

"2014 was a year of solid delivery for Inmarsat and also a year in which we took major steps towards delivering the compelling growth opportunities that will transform our business.

Continuing underlying L-band growth in Maritime, Enterprise and Aviation during the year was offset by continued weakness in our Government business in the US, although this decline slowed towards the end of the year. Helped by a strong Aviation performance, our wholesale MSS revenue growth accelerated in the fourth quarter. Including $75.4m of revenue from LightSquared, our total revenues for the year grew by 1.9%.

We started offering commercial GX services from our first I-5 satellite in July, and the response from customers has been very favourable – the experience GX delivers is better than expected. Our second satellite was launched successfully on 1 February, and with the third currently on schedule to follow in the second quarter, we remain on track to launch commercial GX service globally early in the second half of this year.

Global demand for high-speed mobile data communications continues to surge ahead. GX will transform the experience for broadband users at sea, in the air and in remote locations, connecting them to the data-rich services and applications that are now a core part of everyday work and life.

In 2014 we added a third technology, S-band, into our growth road-map, with the decision to invest up to $450m in a hybrid satellite and ground-based network in Europe. From late 2016 this will complement our global GX service by delivering a cost-effective and technically efficient solution for airlines to meet the demand for connectivity from their passengers flying over Europe.

We expect 2015 to be another year of building for the medium-term, with continuing steady growth in L-band in all our businesses except Government, particularly in the US, and benefitting from some early stage GX revenues. We will focus hard on delivering the remainder of our GX investment programme, and on building momentum in Aviation, with major progress in our S-band programme."

Outlook and Guidance

The trading environment in 2015 is expected to be broadly similar to 2014, with continuing underlying revenue growth in Maritime, Enterprise and Aviation and some continued weakness in Government, particularly in the US.

Our longer-term revenue expectations remain unchanged. We continue to expect wholesale MSS revenue to fall within the 8-12% CAGR growth range for 2014-16, and we expect annual GX revenues of $500m by the fifth anniversary of the global launch of commercial GX services.

Capex in 2015 is expected to be in the range $450-500m, as guided previously. We expect capex in 2016 and 2017 to be below $400m.

Results Presentation

Inmarsat management will host a presentation of the Results on Thursday 5 March at the company's offices at 99 City Road, London EC1Y 1AX, starting at 09.00 hrs London time.

To register to attend the presentation please contact Celeste Houghton at Inmarsat on +44 207 728 1206 or e-mail celeste.houghton@inmarsat.com.

A live web-cast of the presentation will be available through our web-site www.inmarsat.com and via a simultaneous conference call : +44 (0) 20 3427 1916; for US : + 1718 354 1158. Code 7103798.

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Financial Highlights

	Year ended 31 December						
($ in millions)	**Maritime 2014**	**Government 2014**	**Enterprise 2014**	**Aviation 2014**	**Central Services 2014**	**Total 2014**	**Total 2013**
Revenue							
MSS and other	595.6	319.9	166.7	101.1	27.2	1,210.5	1,249.6
LightSquared	–	–	–	–	75.4	75.4	12.3
Total revenue	**595.6**	**319.9**	**166.7**	**101.1**	**102.6**	**1,285.9**	**1,261.9**
Operating costs	(145.2)	(103.5)	(64.6)	(13.9)	(257.7)	(584.9)	(613.1)
EBITDA	**450.4**	**216.4**	**102.1**	**87.2**	**(155.1)**	**701.0**	**648.8**
EBITDA margin %	***75.6%***	**67.6%**	***61.2%***	***86.3%***		***54.5%***	***51.4%***
Depreciation and amortisation	(35.6)	(9.3)	(0.2)	(2.1)	(244.6)	(291.8)	(232.0)
Impairment losses	–	–	–	–	(1.3)	(1.3)	(185.2)
Other	–	–	–	–	1.4	1.4	6.8
Operating profit	**414.8**	**207.1**	**101.9**	**85.1**	**(399.6)**	**409.3**	**238.4**

	Three months ended 31 December						
($ in millions)	**Maritime 2014**	**Government 2014**	**Enterprise 2014**	**Aviation 2014**	**Central Services 2014**	**Total 2014**	**Total 2013**
Revenue							
MSS and other	147.2	83.6	41.5	34.4	7.8	314.5	312.4
LightSquared	–	–	–	–	18.5	18.5	2.4
Total revenue	**147.2**	**83.6**	**41.5**	**34.4**	**26.3**	**333.0**	**314.8**
Operating costs	(37.0)	(26.1)	(13.4)	(6.5)	(84.7)	(167.7)	(163.9)
EBITDA	**110.2**	**57.5**	**28.1**	**27.9**	**(58.4)**	**165.3**	**150.9**
EBITDA margin %	***74.9%***	**68.8%**	***67.7%***	***81.1%***		***49.6%***	***47.9%***
Depreciation and amortisation	(12.7)	(2.3)	0.5	(0.6)	(64.1)	(79.2)	(63.5)
Impairment losses	–	–	–	–	(0.7)	(0.7)	(98.8)
Other	–	–	–	–	(0.5)	(0.5)	1.7
Operating profit	**97.5**	**55.2**	**28.6**	**27.3**	**(123.7)**	**84.9**	**(9.7)**

Forward looking Statements

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

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the audited consolidated results of the operations and financial condition of Inmarsat plc (the “Company” or, together with its subsidiaries, the “Group”) for the year ended 31 December 2014. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union.

In addition to IFRS measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned.

OPERATING REVIEW

Market environment

Global mobile broadband continued to experience rapid growth in 2014, with global mobile data traffic estimated by Cisco to have been more than 60% higher than in the previous year (ref. Cisco VNI Mobile 2014). This rate of growth is forecast to continue through the end of the decade, with more than 10 billion mobile devices and sensors expected to be in use globally in 2018.

These wider sector trends extend to mobile communications via satellite, and we see growing demand for connectivity, bandwidth and services across the markets that our satellite networks serve. Businesses, governments and consumers, at sea, on land and in the air are all seeking ubiquitous, reliable connectivity. They want to stay in touch while on the move, in remote areas, and to have back-up options. They want capacity and speed to access increasingly data-rich solutions and applications, and they want reliability and security. This all plays to Inmarsat’s strengths. We are well positioned to take advantage of these global trends, and our major investments in GX and S-band, as well as our continued focus on L-band, will all strengthen further our position in all our major markets.

In Maritime we are seeing more and more data passing between the ship and the shore, comprising both crew welfare and ship operational use. This is reflected in the ongoing migration of our end-users up through our rate plans, and the ARPU growth that accompanies this as users’ growing data usage drives then to higher value, higher capacity packages with lower unit costs.

At the other end of the Maritime market, there are substantial opportunities for satellite connectivity in fishing fleets and pleasure craft, via L-band. People want to remain in contact when they are out of range of terrestrial mobile networks, for regulatory, commercial and recreational reasons. As lower cost terminals and solutions become available, demand for satellite connectivity will grow.

Aircraft connectivity has become an intensely active subject over the past year, in terms of both safety and operational communications into the cockpit, and passenger connectivity in the cabin. Inmarsat is the industry leader for satellite-based safety and operational services, in both commercial and business aviation. A number of industry incidents, including the loss of Malaysian Airlines flight MH 370, have highlighted the need for more robust flight tracking and surveillance systems, and we are strongly supporting industry and government initiatives to introduce more reliable and effective satellite-based solutions, including offering a free basic tracking service.

In the cabin, industry forecasts are for a 300% increase in the number of connected aircraft globally within ten years (ref. EuroConsult 2013). Commercial airline passengers increasingly want their devices to enjoy the same connectivity in the air as they do on the ground, again for both business and recreational purposes, and Inmarsat is uniquely positioned to deliver this. With GX we will be able to seamlessly serve the long-haul wide-bodied jets that fly the inter-continental routes globally. With the hybrid satellite/ground S-band network that we are building in Europe we will be able to deliver an unrivalled high speed, high capacity service to single-aisle aircraft flying European short-haul routes.

Demand from traditional government customers has weakened substantially over the past three years, as both budgetary pressures and the withdrawal from overseas operations have reduced these end-users’ spending on satellite communications. This situation is expected to continue through 2015, although the rate of decline is slowing, particularly for MSS.

However there continue to be encouraging new areas of growth in government demand for commercial satellite services. These include specialised programmes, integrated programmes in which satellite is just one component of the overall solution being supplied, managed services and areas where the flexibility of commercial bandwidth enables augmentation of governments' own communications capabilities most cost-effectively. There is also demand from new governments, outside the traditional circle of end-user countries – we have added commercial relationships with 24 new governments - and from new customers beyond traditional defence end-user groups.

Beyond the traditional voice and data end-user markets in the maritime, aviation and government sectors there is strong growth in demand for machine-to-machine ("M2M") solutions. Lower-cost devices and new applications are enabling the rapid spread of M2M use, and positioning satellite connectivity to integrate with and complement terrestrial connectivity. The sale of our stake in SkyWave to ORBCOMM and the accompanying expansion of our commercial relationship with ORBCOMM position us strongly to build our presence in this growing market sector.

Global Xpress Programme Update

Inmarsat's Global Xpress (GX) will create the world's first globally available, high-speed mobile broadband service, delivered through a single network operator. Operating in the Ka-band, the new network will complement Inmarsat's existing fleet of L-band communication satellites and will deliver seamless, superfast mobile broadband services across the planet.

As well as providing high-throughput broadband connectivity on land, at sea and in the air, GX will also be the only worldwide commercial satellite network that is interoperable with government military satellite communications Ka-band systems.

The first GX satellite, I-5 F1, was launched in December 2013 and entered regional commercial service at the start of July 2014, covering Europe, the Middle East, Africa and Asia, initially for US Government customers, then for early stage commercial end-users. All feedback from these customers is that GX is delivering operational performance ahead of expectations.

Our second GX satellite, I-5 F2, was launched successfully from the Baikonur Cosmodrome in Kazakhstan on 1 February 2015. This will cover the Americas and Atlantic Ocean, and payload testing is scheduled to begin at the start of April.

The third GX satellite, I-5 F3, is ready for shipment to Baikonur and we currently expect to launch this satellite in the second quarter of 2015. This will enable the start of global commercial GX services early in the second half of 2015, offering end-users enhanced connectivity and access for bandwidth-hungry applications even in the remotest and most inaccessible regions of the world.

A fourth GX satellite, I-5 F4 is currently under construction by Boeing in California, on schedule for completion in mid-2016. A SpaceX launch slot has been secured in the second half of 2016 if required to launch F4.

Construction of all of the GX satellite access stations was completed in November 2014. A total of six GX stations will act as secure gateways between the broadband traffic routed via the I-5 satellite constellation and terrestrial fixed networks. Each station delivers full ground segment redundancy for GX services, to ensure the highest quality resiliency, reliability and availability.

A strong group of more than 30 Value Added Resellers has been signed up to sell GX, covering all our major end-user markets, and along with our direct sales channel will drive take up of the new services.

The first GX products for commercial end-users are now available. Shortly after the end of the year Maritime launched FleetBroadband Xtra, which will overlay regional GX capacity from I-5 F1 with existing L-band connectivity. Looking ahead to the global availability of GX, we announced our new Fleet Xpress service, a hybrid solution delivering global GX service backed up by L-band FleetBroadband. When global GX becomes available our FleetBroadband Xtra customers will transition from this regional service onto Fleet Xpress.

We have put in place plans to migrate Maritime's current XpressLink VSAT customers onto GX over the next three years. As well as delivering all of the benefits of global GX to these customers, this migration onto our GX network from the third-party infrastructure used to deliver XpressLink will significantly enhance the margins generated by this revenue stream.

A milestone for GX in the media market, just after the end of the year, was the first successful live, on-air broadcast transmission over GX, when the UK's Sky News was able to live stream High Definition video from Athens during its coverage of the Greek elections at the end of January 2015.

The company is confident of achieving its target of annual GX revenues of $500m by the fifth anniversary of the launch of global commercial services. We already have good visibility of around 30% of this incremental revenue stream, including the migration onto GX of Maritime's Xpress Link VSAT customer base, contractual commitments from a number of partners, and identified end-users that are ready to convert rapidly onto GX when commercial services are available globally.

European Aviation Network Programme

In June 2014 we announced our decision to deploy an integrated hybrid satellite/terrestrial network to deliver aviation passenger connectivity services on an EU-wide basis, operating in 30 MHz of S-band spectrum awarded by the EU to Inmarsat.

A new S-band satellite payload is currently under construction by Thales and on schedule for launch by SpaceX in late 2016. A satellite sharing agreement with Hellas-Sat means that our costs to build, launch and insure this satellite will be around $200m, approximately half of what this would have cost on a stand-alone basis.

This satellite will be complemented by a fully integrated Air-to-Ground network (ATG) to be built across the EU. In November we announced the appointment of Alcatel as a partner for the initial technical development of this network.

The acquisition of licenses from Member States necessary to develop the S-Band satellite service and the ground network is progressing as anticipated. Licenses for the satellite component of the network have been applied for and received in all but three EU Member States. In addition eleven countries have provided us with authorisations or in-principle approvals for the ground component, including from two of the big five EU Member States, and good progress has been made in a number of other Member States. The EU Commission has gone on record with supportive statements regarding the regulatory approach in this area.

Discussions with a number of major airlines and other aviation industry partners continue to make good progress.

LightSquared Cooperation Agreement

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

On 31 March 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement. As a result, during 2014 we received three payments totalling $31.6m due from LightSquared under the terms of the Cooperation Agreement. In addition, following a review at the end of the first half of 2014, we recognised $43.8m of previously deferred income in relation to the Cooperation Agreement. Total LightSquared revenue in the full year was therefore $75.4m, compared to $12.3m in 2013.

At 31 December 2014, deferred income remaining in relation to the Cooperation Agreement of $208.8m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, remains uncertain.

A payment of $17.5m due from LightSquared on 31 December 2014 under the terms of the Cooperation Agreement was not received on time. However this payment was subsequently received on 25 February 2015. This revenue was not recognised in 2014 but will be recognised in 2015.

Acquisitions and Disposals

Acquisition of Globe Wireless

In January 2014 we completed the $45.2m acquisition of Globe Wireless, a Florida-based provider of value-added maritime communications services to the shipping market. Maritime's revenues in the year ended 31 December 2014 included $55.1m due to the acquisition of Globe Wireless. The impact is shown net of intercompany eliminations and adjustments as Globe Wireless was an established distribution partner of Inmarsat; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results.

This acquisition increased our installed customer base by over 6,000 ships and significantly expanded our installation capabilities, to enable a faster roll-out of both XpressLink and GX to the maritime market, direct to end-users as well as through well-established channel partnerships. We also acquired a portfolio of industry-leading value-added services, moving us beyond pure connectivity and into solutions and managed services for maritime end-users.

Disposal of retail energy operations to RigNet

In February 2014 we completed the sale of our retail energy operations to RigNet, a leading global provider of managed remote communications solutions to the oil and gas industry, for a total consideration of $25m. The sale was part of a wider strategic transaction between the two companies, which also included the appointment of RigNet as a GX Value Added Reseller and as our L-band Distribution Partner for the energy sector.

Under the transaction, RigNet acquired substantially all of Inmarsat's retail energy broadband assets, including microwave and WiMAX networks in the US, VSAT interests in the UK, US and Canada, and a telecommunications systems integration business operating globally, as well as the retail L-band energy business. This disposal reduced Enterprise revenue during the year by $63.5m.

Disposal of 19% stake in SkyWave

In December 2014 we announced the sale of our 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of $32.9m. ORBCOMM in turn entered into binding agreements to acquire 100% of SkyWave. The transaction closed in January 2015.

The share sale was one part of a suite of agreements with ORBCOMM, a leading global provider of M2M solutions, covering the joint ownership and future development and commercialization of the IsatData Pro (IDP) technology. This enables Inmarsat to enhance its M2M offering, further supporting the adoption of IDP in multiple new markets. As part of the agreements with ORBCOMM, we acquired SkyWave's satellite network assets, hosted at three Inmarsat Satellite Access Stations, for $7.5m.

New Services and Developments

During the year, we announced key new services and developments, aimed at broadening our customer base and increasing revenues from our existing users, across all of our Business Units:

IsatPhone2: an advanced handheld satellite phone, which offers dependable, high quality voice calls, text and email messaging outside cellular and fixed network coverage. The IsatPhone 2 includes a rugged handset design, long battery life, and built-in tracking and emergency call features.

IsatHub: providing global connectivity for smartphones and tablets. The user's smartphone or tablet connects via Wi-Fi to the IsatHub terminal, which is the size of a paperback book, and a choice of menu prompts and "pointing assistance" options enables them to link up with the satellite. The terminal allows multiple authorised users to use IsatHub's satellite voice and data services at the same time.

Fleet Media: a service that distributes the latest Hollywood releases, as well as television programming and sports and news content, to the world's commercial shipping fleet via any Inmarsat broadband package.

Fleet One: connecting leisure and fishing vessels with a specially designed broadband service, enabling owners to take advantage of maritime broadband services previously only available to much larger vessels.

SwiftBroadband Safety: Hawaiian Airlines will be the first commercial airline to install SB for flight deck applications, including for Aircraft Communications Addressing and Reporting System (ACARS), which provides prioritised voice and data transmission when an aircraft is out of reach of land-based communications. Hawaiian Airlines also plans to utilise SB's advanced aircraft tracking features.

China market: expansion of operations, including the opening of Inmarsat's first office in Beijing. This includes a facility for demonstrating terminals and solutions, and end-user training, and enables closer collaboration between Inmarsat and its partners in the Chinese market.

Non-Executive Directors (post year-end)

On 7 January 2015 we announced the appointment of Robert Ruijter to the Board of Inmarsat plc as a non-Executive Director, effective from 1 February 2015. Mr. Ruijter has been appointed a member of the Audit Committee.

On 29 January 2015 we announced the appointment of Dr. Hamadoun Touré to the Board of Inmarsat plc as a non-Executive Director, effective from March 2015. On appointment as a Director Dr. Touré will become a member of the Nominations Committee.

At the Annual General Meeting Mr Stephen Davidson will step down as Chairman of the Remuneration Committee and will be replaced by Mr Simon Bax. Mr Davidson will remain a Director and a member of the Remuneration Committee.

Dividends

The Inmarsat plc Board of Directors intends to recommend a final dividend of 30.26 cents per share in respect of the year ended 31 December 2014 (2013: 28.82 cents), to be paid on 29 May 2015 to ordinary shareholders on the register of members at the close of business on 15 May 2015.

Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 6 May 2015. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

The 2014 final dividend is not recorded as a liability in the financial statements at 31 December 2014. The total dividends paid and proposed in respect of the year ended 31 December 2014 equals 48.94 cents per ordinary share, an increase of 5.0% over 2013.

Changes to Reporting Segments

As communicated at the Interim Results, Inmarsat plc revised its reporting segments during 2014 to reflect the way the business is now managed by the Chief Executive Officer. The revised reporting segments are "Maritime", "Government", "Enterprise", "Aviation" and "Central Services". Central Services includes all income and costs that are not directly attributable to the other reporting segments, including all corporate administrative costs.

The comparative results have been restated using the new reporting segments and these are available via the Investor Relations section of our website. The supplemental information at the end of this document presents this year's results under the previous reporting segments.

From 1 January 2015 we will no longer present results under the previous reporting segments. However we will continue to report wholesale Mobile Satellite Service (MSS) revenue for the Group.

Other Information

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

FINANCIAL REVIEW

Group - Full Year 2014

During the year ended 31 December 2014, total Group revenue increased by $24.0m (+1.9%) to $1,285.9m (2013: $1,261.9m). This was driven by increased revenue in respect of the LightSquared Cooperation Agreement (+$63.1m) and underlying revenue growth in Maritime, Enterprise, Aviation and other (+$57.7m combined), partially off-set by a further decline in Government revenue (-$88.4m) and the net impact of acquisitions and disposals (-$8.4m).

Total Group revenue in the year included global wholesale MSS revenue of $791.4m, 3.8% higher than in 2013 ($762.4m), with higher MSS revenue in Maritime and Aviation more than offsetting the decline in our Government MSS revenue.

Operating costs in the year decreased by $28.2m compared with 2013. This was partly due to the sale of our retail energy related assets by Enterprise, as well as a reduction in our Government business workforce in the US in late 2013. These decreases were partially offset by increased costs in Maritime as a result of the acquisition of Globe Wireless.

EBITDA in the full year increased by $52.2m (+8.0%) to $701.0m (2013: $648.8m). The Group's EBITDA margin increased to 54.5%, from 51.4% in 2013, mainly reflecting the higher LightSquared revenue received and the disposal of low margin assets to RigNet.

Depreciation and amortisation increased by $59.8m to $291.8m (2013: $232.0m) reflecting the entry into service of Alphasat in November 2013 and of I5-F1 in July 2014. There was no material impairment charge in the year (2013: $185.2m) and the Group operating profit increased by $170.9m to $409.3m (2013: $238.4m).

The net finance charge in the year increased by $17.7m to $67.0m (2013: $49.3m), reflecting a number of one-off factors relating to the refinancing of the Group's Senior Notes in the first half, and to the adjustment to the expected maturity date on the Convertible Bonds. Although there was an increase in net debt during the year the underlying interest charge was broadly flat, due to the lower average borrowing cost. Profit before tax in the year was $342.3m (2013: $189.1m).

The tax charge for the year was $1.2m, a reduction of $85.3m (2013: $86.5m). This decrease was due primarily to the release of the $53.1m provision made in 2013 for a potential tax liability, which arose in relation to the I-4 satellites. The HMRC review into this issue has now been concluded, with no adjustment to our originally filed position. Profit after tax was $341.1m, compared to $102.6m in 2013, and basic earnings per share was 76 cents (2013: 23 cents).

A final dividend of 30.26 cents per share is being proposed (2013: 28.82 cents), taking the total dividend payable in respect of 2014 to 48.94 cents, an increase of 5% (2013: 46.61 cents).

Group – Fourth Quarter

Total Group revenue in the quarter grew by $18.2m (+5.8%) to $333.0m (Q4 2013: $314.8m) driven by increased LightSquared revenue (+$16.1m) and underlying revenue growth in Maritime, Enterprise, Aviation and other (+$18.2m combined), partially off-set by the decline in Government revenue (-$11.9m) and the net impact of acquisitions and disposals (-$4.1m).

Total Group revenue in the quarter included global wholesale MSS revenue of $211.8m, 9.0% higher than in Q4 2013 ($194.4m), driven primarily by higher MSS growth in Aviation. MSS growth in the quarter excluding the impact of take-or-pay contracts was approximately 6%.

Operating costs in the quarter increased by $3.8m (+2.3%) with higher Central Services costs in the quarter, due primarily to equipment inventory provisions, off-setting the net reduction in operating costs delivered across the other business units.

EBITDA in the quarter increased by $14.4m (+9.5%) to $165.3m (Q4 2013: $150.9m). The Group's EBITDA margin increased to 49.6%, from 47.9% in Q4 2013.

Results by Business Unit

Maritime

($ in millions)	Three months ended 31 December 2014	2013	Increase/ (decrease)	Year ended 31 December 2014	2013	Increase/ (decrease)
Revenue	147.2	132.9	10.8%	595.6	524.8	13.5%
Operating costs	(37.0)	(28.4)	30.3%	(145.2)	(108.3)	34.1%
EBITDA	**110.2**	**104.5**	**5.5%**	**450.4**	**416.5**	**8.1%**
EBITDA margin %	**74.9%**	***78.7%***		***75.6%***	***79.4%***	
Depreciation and amortisation	(12.7)	(7.9)	60.8%	(35.6)	(25.5)	39.6%
Operating profit	**97.5**	**96.6**	**1.0%**	**414.8**	**391.0**	**6.1%**

FY 2014

Maritime revenue in the year increased by $70.8m (+13.5%) to $595.6m (2013: $524.8m). This increase includes $55.1m due to the acquisition of Globe Wireless.

Underlying revenue growth of $15.8m (+3.2%) reflected strong growth in our FleetBroadband (FB) revenues (+24%), and VSAT revenues (+26%), partially offset by a substantial decline in the revenues from our legacy services, particularly the Fleet service (-19%). FB and VSAT together generated around two-thirds of Maritime's revenues in the year.

At the end of the year there were 40,469 Maritime FB ships, almost 13% higher than the base of 35,888 at the end of 2013. Average wholesale FB ARPU per month increased by around 4% through the year.

The total installed VSAT base at the end of the year was 2,019 ships, mainly comprising XpressLink (XL) customers, 23% higher than the total VSAT base of 1,636 ships at the same time in 2013. Average wholesale VSAT ARPU in the year was broadly flat.

The decline in legacy services was driven by price increases at the start of the year, which successfully accelerated customer migration onto our FB services, which offers end users significantly better service and value than Fleet, particularly if their data use is growing, and generates wholesale ARPU approximately double the level of the ARPU of active Fleet users.

Operating costs for the year increased by $36.9m (+34.1%) compared to 2013, due primarily to the additional headcount and third party network services costs incurred as a result of the acquisition of Globe Wireless.

Maritime EBITDA increased by $33.9m (+8.1%) compared to the prior year, reflecting the higher gross margin generated by FB revenue, as well the acquisition of Globe Wireless. However the EBITDA margin decreased to 75.6% (2013: 79.4%) due to Globe Wireless's lower margins. The 39.6% increase in depreciation and amortisation is also attributable to the acquisition of Globe Wireless.

Q4 2014

The revenue and margin trends in the fourth quarter were broadly similar to those seen in the full year.

Maritime revenue in the quarter increased by $14.3m (+10.8%) to $147.2m (Q4 2013: $132.9m). This increase includes $13.5m due to the acquisition of Globe Wireless. Underlying revenue growth of $0.8m (+0.7%) reflected continuing strong growth in our FB and VSAT revenues, offset by the decline in our legacy services, in particular the Fleet service, and by lower equipment revenues.

Average FB wholesale monthly ARPU in the quarter increased to $638. Wholesale ARPU in December was strong due to higher crew voice and data traffic generated over the Christmas and New Year period.

The strategic upselling of FB customers onto higher rate plans continued through the quarter, in particular from the Standard package onto the 200MB package, with almost 2,000 high data use customers migrating to this higher value service during the quarter.

VSAT revenue continued to grow strongly in the quarter, compared to the same period in 2013, with the installation rate during the quarter continuing to run at around 40 new ships per month.

The strong growth of FB and XL revenue in the quarter continued to be offset by the rapid decline of Fleet and other legacy services. Fleet revenue in the quarter fell by almost 30%, as the price increases earlier in the year accelerated customer migration off this legacy service.

Operating costs for the quarter increased by $8.6m (+30.3%) compared with the same period in 2013, primarily as a result of the acquisition of Globe Wireless.

Maritime EBITDA in the quarter increased by $5.7m (+5.5%) compared with the same period in 2013. This reflected the higher gross margin generated by the increase in FB revenue within the mix, as well as the acquisition of Globe Wireless. However the EBITDA margin decreased to 74.9% mainly due to the acquisition of the lower margin Globe Wireless business.

Government

($ in millions)	Three months ended 31 December 2014	Three months ended 31 December 2013	Increase/ (decrease)	Year ended 31 December 2014	Year ended 31 December 2013	Increase/ (decrease)
Revenue	83.6	95.5	(12.5%)	319.9	408.3	(21.7%)
Operating costs	(26.1)	(32.0)	(18.4%)	(103.5)	(140.4)	(26.3%)
EBITDA	**57.5**	**63.5**	**(9.4%)**	**216.4**	**267.9**	**(19.2%)**
EBITDA margin %	***68.8%***	***66.5%***		***67.6%***	***65.6%***	
Depreciation and amortisation	(2.3)	(2.2)	4.5%	(9.3)	(10.6)	(12.3%)
Operating profit	**55.2**	**61.3**	**(10%)**	**207.1**	**257.3**	**(19.5%)**

FY 2014

Government revenue in the year decreased by $88.4m (-21.7%) to $319.9m (2013: $408.3m), due to further decline in Government revenues in the US. Government revenues outside the US increased by almost 1% in the year.

Government revenue in the US continued to decline due to the combined impact of continued spending controls and reduced operational requirements following the withdrawal from Afghanistan. Certain contracts were not renewed, in particular for IP managed solutions, and other contracts were reduced in scale, with increased competitive intensity putting downward pressure on pricing.

Among its traditional customers outside the US, Government saw similar revenue pressure resulting from spending controls and reduced operational requirements, including the withdrawals from Afghanistan. However this was offset by increased revenues generated from new territories, with new contract wins in Latin America and Asia as well as some smaller European countries, and encouraging revenue growth in new product areas such as Assured Access and L-TAC.

Operating costs in the year fell by $36.9m (-26.3%) to $103.5m (2013: $140.4m). Government's operating costs in the US declined substantially, due to the impact of a reduction in the workforce implemented in the business during 2013, as well as lower revenues. This was offset by an increase in operating costs outside the US, as the business continued to invest in expansion into a wide range of new markets.

Total Government EBITDA in the year fell by $51.5m (-19.2%) to $216.4m (2013: $267.9m). However the EBITDA margin improved to 67.6% (2013: 65.6%), as a result both of the cost reductions in the US, as well as the improved revenue mix across the whole Government business.

Q4 2014

Government revenue in the quarter decreased by $11.9m (-12.5%) to $83.6m (Q4 2013: $95.5m). The decline in revenue in the US slowed significantly in the quarter, reflecting some one-off contract reductions seen in the same period in the prior year. Government revenue outside the US was broadly flat in quarter, reflecting the same trends seen in the full year.

Government EBITDA in the quarter decreased by $6.0m (-9.4%) to $57.5m (Q4 2013: $63.5m). However the EBITDA margin improved to 68.8% (Q4: 2013: 66.5%) reflecting the same trends as seen in the full year.

Enterprise

($ in millions)	Three months ended 31 December 2014	2013	Increase/ (decrease)	Year ended 31 December 2014	2013	Increase/ (decrease)
Revenue	41.5	56.6	(26.7%)	166.7	221.6	(24.8%)
Operating costs	(13.4)	(25.8)	(48.1%)	(64.6)	(106.0)	(39.1%)
EBITDA	**28.1**	**30.8**	**(8.8%)**	**102.1**	**115.6**	**(11.7%)**
EBITDA margin %	***67.7%***	***54.4%***		***61.2%***	***52.2%***	
Depreciation and amortisation	0.5	(0.2)	(350.0%)	(0.2)	(3.6)	(94.4%)
Operating profit	**28.6**	**30.6**	**(6.5%)**	**101.9**	**112.0**	**(9.0%)**

FY 2014

Enterprise underlying revenue for the year, excluding the impact of the sale of our retail energy related assets to RigNet in January, grew by $8.5m (+6.2%). Due to the impact of these disposals headline revenue fell by $54.9m (-24.8%) to $166.7m (2013: $221.6m).

The increase in underlying revenue was driven by strong growth in M2M, FB and IsatPhone revenues, partially offset by lower BGAN revenues. M2M revenues grew by 30%, and Enterprise FB was 22% higher than in the previous year. The installed IsatPhone base grew by 23% to 115,500 terminals, up from 94,000 at the start of the year.

BGAN revenue was down by 9% year-on-year. The decline slowed in the second half, as new high ARPU BGAN services such as High Data rate (HDR) and Link started to gain traction in the market.

Operating costs decreased by $41.4m (-39.1%) compared to 2013, due to lower headcount and network services costs as a result of the disposal of our retail energy related assets.

Enterprise EBITDA decreased by $13.5m (-11.7%) to $102.1m (2013: $115.6m) primarily due to the disposal of our retail energy related assets. However the sale of these lower margin assets resulted in the Enterprise EBITDA margin increasing to 61.2%, from 52.2% in 2013. The fall in depreciation and amortisation is also attributable to the disposals of the retail energy related assets.

Q4 2014

The revenue and margin trends in the fourth quarter are broadly similar to those seen in the full year.

Underlying revenue, excluding the impact of the sale of our energy related assets, grew by $2.6m (+7.2%). Headline revenue reduced by $15.1m (-26.7%) to $41.5m (Q4 2013: $56.6m). The wholesale revenues generated by the energy-related assets following their disposal continued to grow strongly in the quarter.

The M2M business continued to grow strongly, and at the end of the quarter our total installed base across all four M2M product lines was over 292,000 terminals. Our high ARPU BGAN M2M service grew particularly strongly, with almost 1,200 new connections in the quarter taking the installed base to over 5,000 units for the first time, more than 80% of which are in the Resources sector.

IsatPhone revenue continued to grow strongly in the quarter in both post-pay and pre-pay. Revenues benefitted from a price increase on both pre- and post-pay standard plans, and migration of customers onto higher value packages.

BGAN revenue declined in the quarter, mainly due to a number of one-off factors, such as Typhoon Haiyan in the Philippines, which increased revenue in the same period in 2013. However within the BGAN business our new HDR service grew strongly and our high ARPU BGAN Link service also performed well in the quarter.

Enterprise EBITDA in the quarter decreased by $2.7m (-8.8%) to $28.1m (Q4 2013: $30.8m) primarily due to the disposal of our retail energy related assets. However the sale of these lower margin assets resulted in the Enterprise EBITDA margin increasing to 67.7%, from 54.4% in 2013.

Aviation

	Three months ended 31 December		Increase/	Year ended 31 December		Increase/
($ in millions)	**2014**	**2013**	**(decrease)**	**2014**	**2013**	**(decrease)**
Revenue	34.4	21.3	61.5%	101.1	73.4	37.7%
Operating costs	(6.5)	(2.2)	195.5%	(13.9)	(6.2)	124.2%
EBITDA	**27.9**	**19.1**	**46.1%**	**87.2**	**67.2**	**29.8%**
EBITDA margin %	***81.1%***	***89.7%***		***86.3%***	***91.6%***	
Depreciation and amortisation	(0.6)	(0.6)	0.0%	(2.1)	(2.1)	0.0%
Operating profit	**27.3**	**18.5**	**47.6%**	**85.1**	**65.1**	**30.7%**

FY 2014

Aviation revenue for the year grew by $27.7m (+37.7%) to $101.1m (2013: $73.4m). The growth was driven by strong sales of our SwiftBroadband (SB) and Classic Aero services, with SB growth in particular benefitting from the impact of the “take-or-pay” contracts signed with several key distribution partners in mid-year. These contracts applied pricing discounts retrospectively to the start of the year, in return for minimum revenue commitments in the full year 2014 and in 2015, and they succeeded in generating substantial additional revenue in the fourth quarter.

Growth was driven by higher sales of both our SB and Classic Aero services. SB active SIMS grew by almost 33% to 5,450 at the end of the quarter, the majority installed in the Business and General aviation segment. Classic Aero active SIMS grew by just over 9% to 7,130 at the year-end. Aviation ARPU grew by nearly 23% to just over $1,000 per month.

Operating costs increased by $7.7m to $13.9m (2013: $6.2m) due to higher employee related costs and business development costs, as Aviation increased headcount significantly and deployed additional resources to pursue major growth opportunities, in particular for cabin connectivity in the commercial aviation market.

Aviation EBITDA increased by $20.0m (+29.8%) to $87.2m (2013: $67.2m). However the EBITDA margin decreased to 86.3% (2013: 91.6%) as a result of the increased headcount and associated business development costs.

Q4 2014

Aviation revenue in the quarter grew by $13.1m (+61.5%) to $34.4m (Q4 2013: $21.3m). This included a substantial contribution to revenue from the take-or-pay contracts signed earlier in the year, as the distribution partners concerned fulfilled their revenue commitments.

Operating costs increased by $4.3m compared to 2013, due to the employee and other cost increases associated with pursuing the cabin connectivity opportunity, as resources were increased in the second half of the year to support the drive for growth within the business.

EBITDA in the quarter increased by $8.8m (+46.1%) to $27.9m (Q4 2013: $19.1m) driven by the higher revenue generated by the take-or-pay contracts. The EBITDA margin in the quarter decreased to 81.1% (Q4 2013: 89.7%) due to the higher employee and other business development costs.

Central Services

($ in millions)	Three months ended 31 December 2014	2013	Increase/ (decrease)	Year ended 31 December 2014	2013	Increase/ (decrease)
Revenue						
LightSquared	18.5	2.4	670.8%	75.4	12.3	513.0%
Other	7.8	6.1	27.9%	27.2	21.5	26.5%
Total revenue	26.3	8.5	209.4%	102.6	33.8	203.6%
Operating costs	(84.7)	(75.5)	12.2%	(257.7)	(252.2)	2.2%
EBITDA	**(58.4)**	**(67.0)**	**12.8%**	**(155.1)**	**(218.4)**	**29.0%**
Depreciation and amortisation	(64.1)	(52.6)	21.9%	(244.6)	(190.2)	28.6%
Impairment losses	(0.7)	(98.8)	(99.3%)	(1.3)	(185.2)	(99.3%)
Other	(0.5)	1.7	(129.4%)	1.4	6.8	(79.4%)
Operating profit	**(123.7)**	**(216.7)**	**42.9%**	**(399.6)**	**(587.0)**	**31.9%**

FY 2014

Central Services revenues and EBITDA for the year increased by $68.8m, and $63.3m, respectively. The increase was due primarily to $75.4m of revenue recognised from LightSquared, including $31.6m of cash payments as a result of LightSquared's election to restart Phase 2 of the Cooperation Agreement.

The level of activity was intense throughout the year across both the Operations and Development & Engineering organisations. In Operations, the network integration of Alphasat and the build up to the start of GX commercial services on I-5 F1 following its successful launch in late 2013, were managed successfully. Inmarsat-2 F2 was decommissioned in December, more than 23 years after launch.

Service availability levels remained high across all our networks, and over the 2014/15 New Year period we carried our highest volume of BGAN traffic to date, with more than 1 million minutes switched, with a peak of 1,575 simultaneous calls.

In Development and Engineering, management of the highly intensive GX project brought I-5 F2 to successful launch on 1 February 2015, and I-5 F3 is currently on schedule for launch in the second quarter of 2015. The construction of I-5 F4 and of our S-band satellite for European aviation both remain on schedule for completion in 2016.

Despite the high levels of activity experienced across all of the Central Services functions, operating costs in the full year were largely flat at $257.7m (2013: $252.2m), with employee salary cost increases being largely offset by foreign exchange gains and lower network operations costs. These included the impact of a major site rationalisation project, which reduced the number of ground stations at which we operate.

Depreciation and amortisation increased by $54.4m to $244.6m (2013: $190.2m) primarily resulting from our Alphasat and I-5 F1 satellites entering commercial service in November 2013 and July 2014 respectively, and therefore starting to be depreciated from these dates. Impairment charges in the year were only $1.3m compared to the $185.2m charged in 2013.

Q4 2014

Operating costs increased by $9.2m (+12.2%) to $84.7m (Q4 2013: $75.5m) primarily as a result of equipment inventory write-downs in the quarter. However this was more than offset by the increase of $16.1m in LightSquared revenue to $18.5m (Q4 2013: $2.4m) so that the EBITDA loss reduced by $8.6m to -$58.4m (Q4 2013: -$67.0m).

Reconciliation of operating profit to profit after tax

($ in millions)	Three months ended 31 December 2014	2013	Increase/ (decrease)	Year ended 31 December 2014	2013	Increase/ (decrease)
Operating profit	**84.9**	**(9.7)**	**975%**	**409.3**	**238.4**	**71.7%**
Net finance expense	(15.0)	(10.2)	47.1%	(67.0)	(49.3)	35.9%
Income tax expense	55.7	(12.4)	549%	(1.2)	(86.5)	(98.6%)
Profit after tax	**125.6**	**(32.3)**	**488%**	**341.1**	**102.6**	**232.5%**

Operating profit

As a result of the factors discussed above, operating profit for the year was $409.3m, an increase of $170.9m (71.7%), compared with 2013.

Net finance expense

The net finance charge in the year increased by $17.7m to $67.0m (2013: $49.3m), reflecting a number of one-off factors including the redemption premium and other costs payable on the refinancing of the Group's Senior Notes in the first half (-$35.3m in total) and the recognition of a non-recurring credit on the Convertible Bonds (see below). In addition, there was a reduction of $37.2m in the amount of interest capitalised as a result of our Alphasat satellite entering commercial service in November 2013, and a $14.3m reversal of capitalised interest as a consequence of the non-recurring credit in respect of the Convertible Bonds.

Convertible Bond interest

The final date for holders of our 1.75% convertible bonds to exercise their option to convert was 16 November 2014, when bonds with an accreted principal value of $0.9m were redeemed. The maturity date of the remaining bonds has been amended to their due date of 16 November 2017 and, as a result, the accreted carrying value of the outstanding borrowings was reduced and a credit to interest payable of $48.5m was recognised.

Income tax expense

The tax charge for 2014 was $1.2m, a decrease of $85.3m compared with 2013. Profit before tax increased from $189.1m to $342.3m but the tax impact of increasing profits was more than offset by the release in 2014 of a $53.1m provision for potential tax liabilities that had been recognised in 2013 in relation to the Inmarsat-4 satellites. This provision was released in 2014 as the HMRC review into this matter has now been concluded.

The effective tax rate for 2014 was 0.4% compared to 45.7% for 2013. Excluding the impact of the $185.2m of impairment losses on profit before tax in 2013, the revaluation of UK deferred tax balances following the reduction of the UK main rate of corporation tax, the impact of current year non-UK losses and other temporary differences for which the benefit was not previously recognised, and the impact of the provision for potential tax liabilities described above, the effective tax rates would have been 20.7% for 2014 and 22.2% for 2013. The remaining difference arises primarily from the reduction in the UK main rate of corporation tax from 23% to 21%. While the reduction did not become effective until 1 April 2014, this has the effect of lowering the average UK statutory rate applicable to current year taxable profits to 21.5% (2013: 23.25%).

Profit after tax

Profit after tax for the year ended 31 December 2014 was $341.1m (2013: $102.6m).

Earnings per share

Basic and diluted earnings per share for profit attributable to the equity holders of the Company were 76 cents and 69 cents, respectively (2013: 23 cents and 23 cents, respectively). Basic and diluted earnings per share adjusted to exclude the after-tax effect of the LightSquared contribution and impairment losses, and the effects of a provision for potential tax liabilities which had been recognised in 2013 and released in 2014, were 51 cents and 45 cents, respectively (2013: 69 cents and 68 cents, respectively).

Cash Flow

($ in millions)	Three months ended 31 December 2014	Three months ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
EBITDA	165.3	150.9	701.0	648.8
Non-cash items	3.3	4.2	17.2	15.9
Change in working capital	(19.4)	(29.2)	(64.8)	(49.9)
Cash generated from operations	149.2	125.9	653.4	614.8
Capital expenditure	(115.7)	(181.4)	(405.7)	(580.9)
Net cash interest paid	(27.5)	(37.1)	(88.1)	(98.0)
Cash tax paid	(6.6)	(4.6)	(9.5)	(20.3)
Free cash flow	**(0.6)**	**(97.2)**	**150.1**	**(84.4)**
Acquisition of subsidiaries and other investments	(0.7)	(0.1)	(46.2)	(3.3)
Proceeds on disposal of assets	0.5	0.5	27.5	0.5
Dividends paid to shareholders	(84.0)	(78.6)	(212.9)	(200.5)
Other movement including foreign exchange	(0.2)	(0.1)	1.0	(0.5)
Net cash flow	**(85.0)**	**(175.5)**	**(80.5)**	**(288.2)**
Opening net borrowings	1,811.2	1,627.3	1,812.8	1,489.3
Net cash flow	85.0	175.5	80.5	288.2
Other[1]	4.5	10.0	7.4	35.3
Closing net borrowings	**1,900.7**	**1,812.8**	**1,900.7**	**1,812.8**

During the year, free cash flow was $150.1m (2013: ($84.4m)). The increase is primarily due to a reduction in capital expenditure and higher EBITDA in 2014. The movement in working capital of $64.8m is largely due to the release of $43.8m of LightSquared deferred revenue to the income statement during the year and a prepayment of future SpaceX launch fees.

Capital expenditure decreased by $175.2m compared with 2013, primarily due to the timing of expenditure in relation to the Global Xpress programme and the completion of substantially all of our Alphasat capital expenditure by the end of 2013.

Group Liquidity and Capital Resources

At 31 December 2014, the Group had cash and cash equivalents of $204.4m and available but undrawn borrowing facilities of $990.0m under our Senior Credit Facility and Ex-Im Bank Facility.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. If all such enquiries were settled as currently provided for, and after taking account of the release of the provision for potential tax liabilities which had been recognised in relation to the Inmarsat-4 satellites, we estimate the Group would incur a cash tax outflow of approximately $80m. Any cash outflow would be unlikely to be incurred until late 2016. The enquiries remain ongoing at this time.

[1] Other includes a non-recurring credit to re-base the convertible bonds and the impact of deferred financing costs.

Group Balance Sheet

The table below shows the condensed consolidated Group Balance Sheet at 31 December 2014 and 2013:

($ in millions)	As at 31 December 2014	As at 31 December 2013
Non-current assets	3,510.9	3,356.2
Current assets	581.0	512.6
Total assets	**4,091.9**	**3,868.8**
Current liabilities	(682.7)	(1,038.8)
Non-current liabilities	(2,226.1)	(1,782.2)
Total liabilities	**(2,908.8)**	**(2,821.0)**
Net assets	**1,183.1**	**1,047.8**

The increase in the Group's non-current assets of $154.7m is largely due to our ongoing investment in the Global Xpress infrastructure and the development of our new S-Band programme that will deliver high-speed broadband services to aviation customers across the European Union by the end of 2016. Over $330m was invested in these two programmes during 2014. This was offset by depreciation of $165.2m.

Other significant movements in non-current assets were related to intangible assets, including goodwill of $14.7m, recognised on the acquisition of Globe Wireless, offset by the reclassification of our $23.5m investment in SkyWave from non-current assets to current assets held for sale, in advance of the disposal in January 2015.

The net increase in current assets of $68.4m is due to a number of factors including an increase in cash and cash equivalents of $60.1m to $204.4m, and an increase in prepayments of $37.8m, which includes SpaceX prepaid launch fees for future satellite missions, including I5-F4. Further, included in current assets at 31 December 2014 were assets held for sale in respect of the SkyWave disposal, remeasured to fair value of $32.9m. Partially offsetting these increases was the disposal of assets used in our energy business to RigNet, which reduced working capital balances (specifically assets held for sale) by $42.8m during the year

The decrease in current liabilities of $356.1m relates primarily to the reclassification of the Convertible Bonds from current to non-current liabilities ($328.6m) during the year. The bonds were classified as current liabilities at the end of 2013 because the holders had the right to require the Company to redeem all of the bonds at their accreted principal amount on 16 November 2014 and that was considered the most likely redemption date. However, only $0.9m of the bonds were redeemed on that date with the remaining bonds maturing on 16 November 2017.

Other significant changes to current liabilities since 2013 are the disposal of the held for sale liabilities of $19.0m which represented the energy assets sold to RigNet during the year and a decrease in trade and other payables of $40.8m due to the release of $43.8m of deferred income in relation to the LightSquared Cooperation agreement. Deferred revenue from LightSquared now stands at $208.8m (2013: $252.6m).

The increase in non-current liabilities of $443.9m is due to an increase in non-current borrowings of $429.0m to $1,987.0m during the year. There were two main components of the increase; the reclassification of the Convertible Bonds from current liabilities to non-current liabilities, which added $301.3m as at 31 December 2014, and the issue of $1.0bn of Senior Notes due 2022 in June 2014 to replace the $850m of Senior Notes due 2017 held by the group 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 and our network
Our satellites are subject to significant operational risks at launch or while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we expect to maintain commercially prudent levels of launch and in-orbit insurance, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance cover was sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity. In addition, if we are required to shorten the expected useful lives of our satellites, our profitability could be adversely affected.

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

Cyber Security
Our networks, and those of our distribution partners, may be vulnerable to security risks. We expect the secure transmission of confidential information over our networks to continue to be a critical element of our operations. Our network and those of our distribution partners have in the past been, and may in the future be vulnerable to unauthorised access, computer viruses and other security risks. We have implemented industry-standard security measures, and have steadily increased our investment in counter cyber threat tools and staff. Indirect evidence is that our counter measures have been effective given the experience gained in previous cyber events. However the nature and diversity of cyber threats has also changed, both in sophistication and number, so these measures may prove inadequate and could result in system failures and delays that could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

Next generation services and satellites
We are currently in the process of implementing two major investment programmes, Global Xpress and an integrated hybrid satellite/terrestrial network to serve the European aviation market. These programmes include the deployment of a global network of Ka-band satellites and one S-band satellite. These programmes, which include satellites, ground network, terminals and related services, may be subject to delays and/or material cost overruns. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. A delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

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

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

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

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

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

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

We use the US Dollar as our functional and reporting currency. While almost all our revenues are denominated in US Dollars, a substantial portion of our operating expenses and, from time to time, a small proportion of our capital expenditures are denominated in currencies other than the US Dollar. Although we generally hedge our foreign exchange exposure in the short-term, there is no assurance that in the longer-term our results of operations would not be affected by fluctuations of the US Dollar against other currencies (primarily Pounds Sterling). The Group's hedged rate of exchange for 2014 was $1.54/£1.00, compared with $1.57/£1.00 in 2013, which does not give rise to a material variance in comparative costs. The hedged exchange rate for 2015 is $1.59/£1.

Taxation

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

Management and employees

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

INMARSAT PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

($ in millions)	2014	2013
Revenues	**1,285.9**	**1,261.9**
Employee benefit costs	(237.3)	(244.8)
Network and satellite operations costs	(205.7)	(235.6)
Other operating costs	(174.1)	(162.9)
Own work capitalised	32.2	30.2
Total operating costs	**(584.9)**	**(613.1)**
EBITDA	**701.0**	**648.8**
Depreciation and amortisation	(291.8)	(232.0)
Loss on disposal of assets	(1.2)	(0.1)
Acquisition-related adjustments	–	4.6
Impairment losses	(1.3)	(185.2)
Share of profit of associates	2.6	2.3
Operating profit	**409.3**	**238.4**
Finance income	8.1	4.9
Finance expense	(75.1)	(54.2)
Net finance expense	(67.0)	(49.3)
Profit before income tax	**342.3**	**189.1**
Income tax expense	(1.2)	(86.5)
Profit for the year	**341.1**	**102.6**
Attributable to:		
Equity holders	**340.5**	**102.0**
Non-controlling interest	**0.6**	**0.6**

Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in $ per share)		
– Basic	0.76	0.23
– Diluted	0.69	0.23

Adjusted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in $ per share)		
– Basic	0.51	0.69
– Diluted	0.45	0.68

INMARSAT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

($ in millions)	2014	2013
Profit for the year	**341.1**	**102.6**
Other comprehensive income		
Amounts subsequently reclassified to the Income Statement:		
Gain on remeasurement of available-for-sale financial asset	9.4	–
Foreign exchange translation differences	(0.6)	(0.2)
Net (losses)/gains on cash flow hedges	(12.7)	14.7
Tax credited/(charged) directly to equity	1.1	(3.6)
Amounts not subsequently reclassified to the Income Statement:		
Actuarial gains from pension and post-employment benefits	3.4	2.7
Tax charged directly to equity	(0.6)	(0.6)
Other comprehensive income for the year, net of tax	–	**13.0**
Total comprehensive income for the year, net of tax	**341.1**	**115.6**
Attributable to:		
Equity holders	**340.5**	**115.0**
Non-controlling interest	**0.6**	**0.6**

INMARSAT PLC
CONSOLIDATED BALANCE SHEET
As at 31 December 2014

($ in millions)	2014	2013
Assets		
Non-current assets		
Property, plant and equipment	2,649.4	2,495.9
Intangible assets	799.6	781.1
Investments	10.8	32.7
Other receivables	24.4	21.6
Deferred income tax assets	26.7	21.3
Derivative financial instruments	–	3.6
	3,510.9	**3,356.2**
Current assets		
Cash and cash equivalents	204.4	144.3
Trade and other receivables	305.4	277.0
Inventories	28.4	27.7
Current income tax assets	8.5	11.6
Derivative financial instruments	1.4	9.2
Assets held for sale	32.9	42.8
	581.0	**512.6**
Total assets	**4,091.9**	**3,868.8**
Liabilities		
Current liabilities		
Borrowings	118.1	399.1
Trade and other payables	474.9	515.7
Provisions	3.4	4.3
Current income tax liabilities	81.3	100.2
Derivative financial instruments	5.0	0.5
Liabilities directly associated with assets held for sale	–	19.0
	682.7	**1,038.8**
Non-current liabilities		
Borrowings	1,987.0	1,558.0
Other payables	25.6	26.2
Provisions	27.2	23.9
Deferred income tax liabilities	186.3	174.1
	2,226.1	**1,782.2**
Total liabilities	**2,908.8**	**2,821.0**
Net assets	**1,183.1**	**1,047.8**
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	687.6	687.4
Equity reserve	56.9	56.9
Other reserves	66.7	62.9
Retained earnings	371.1	240.0
Equity attributable to shareholders	**1,182.6**	**1,047.5**
Non-controlling interest	**0.5**	**0.3**
Total equity	**1,183.1**	**1,047.8**

INMARSAT PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

($ 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 2013	**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**
Share options charge	–	–	–	1.0	–	–	–	5.6	0.6	–	7.2
Issue of share capital	–	0.2	–	–	–	–	–	–	–	–	0.2
Dividends paid	–	–	–	–	–	–	–	–	(212.8)	(0.3)	(213.1)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive Income:											
Profit for the period	–	–	–	–	–	–	–	–	340.5	0.6	341.1
Other comprehensive income – before tax	–	–	–	–	(12.7)	9.4	(0.6)	–	3.4	–	(0.5)
Other comprehensive income – tax	–	–	–	–	2.5	(1.4)	–	–	(0.6)	–	0.5
Balance at 31 December 2014	**0.3**	**687.6**	**56.9**	**62.5**	**(1.6)**	**8.6**	**(0.4)**	**(2.4)**	**371.1**	**0.5**	**1,183.1**

(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 2014

($ in millions)	2014	2013
Cash flow from operating activities		
Cash generated from operations	653.4	614.8
Interest received	0.9	2.6
Income taxes paid	(9.5)	(20.3)
Net cash inflow from operating activities	**644.8**	**597.1**
Cash flow from investing activities		
Purchase of property, plant and equipment	(345.9)	(516.1)
Additions to capitalised development costs and other intangibles	(29.0)	(35.1)
Own work capitalised	(30.8)	(29.3)
Acquisition of subsidiaries and other investments	(46.2)	(3.2)
Proceeds on disposal of assets	27.5	–
Net cash used in investing activities	**(424.4)**	**(583.7)**
Cash flow from financing activities		
Dividends paid to shareholders	(212.6)	(200.5)
Repayment of EIB Facility	(44.1)	(44.0)
Drawdown of Ex-Im Bank Facilities	106.9	145.9
Repayment of Ex-Im Bank Facilities	(13.4)	–
Redemption of Senior Notes due 2017	(882.8)	–
Gross issuance proceeds of Senior Notes due 2022	991.9	–
Interest paid on borrowings	(89.0)	(100.6)
Arrangement costs of financing	(13.8)	(5.0)
Net proceeds from the issue of ordinary shares	0.2	–
Other financing activities	0.3	(0.3)
Net cash used in financing activities	**(156.4)**	**(204.5)**
Foreign exchange adjustment	(0.4)	(0.2)
Net increase/(decrease) in cash and cash equivalents	**63.6**	**(191.3)**
Cash and cash equivalents		
At beginning of year	140.8	332.1
Net increase/(decrease) in cash and cash equivalents	63.6	(191.3)
At end of year	**204.4**	**140.8**
Comprising:		
Cash at bank and in hand	40.7	50.4
Short-term deposits with original maturity of less than three months	163.7	93.9
Bank overdrafts	–	(3.5)
Cash and cash equivalents at end of year	**204.4**	**140.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

These consolidated financial results have been approved by the Board of Directors for issue on 5 March 2015.

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

2. Principal accounting policies

Basis of preparation
The consolidated financial results for the year ended 31 December 2014 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 2013 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 2013 annual consolidated financial statements prepared under IFRS, set out on pages 75 to 120. The consolidated Balance Sheet as at 31 December 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by IFRS for complete financial statements.

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

Basis of accounting
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 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 (revised) – Separate Financial Statements (2011)
- IAS 28 (revised) – Investments in Associates and Joint Ventures (2011)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entitles: Transition Guidance
- IAS 32 (amended) – Financial Instruments
- IAS 36 (amended) – Impairment of Assets

- IAS 39 (amended) – Financial Instruments
- IFRIC 21 – Levies

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

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

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

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

3. Segment information

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

During the year ended 31 December 2014, the Group revised its operating segments to reflect the way the business is being viewed by the CODM. The revised operating segments are based on a vertical market presentation and are now aligned to five market-facing business units, being:

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

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

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

The tables below represent segmental information based on the revised basis with 2013 restated accordingly.

Segment information:

($ in millions)	2014	2013
Revenues		
Maritime[1]	595.6	524.8
Government	319.9	408.3
Enterprise[2]	166.7	221.6
Aviation	101.1	73.4
Central Services[3]	102.6	33.8
Total segment revenues	**1,285.9**	**1,261.9**
Operating profit		
Maritime[1]	414.8	391.0
Government	207.1	257.3
Enterprise[2]	101.9	112.0
Aviation	85.1	65.1
Central Services[3]	(399.6)	(587.0)
Total segment operating profit	**409.3**	**238.4**
Unallocated		
Net finance expense	(67.0)	(49.3)
Profit before income tax	**342.3**	**189.1**
Income tax expense	(1.2)	(86.5)
Profit after tax	**341.1**	**102.6**
Capital expenditure[4]		
Maritime[1]	35.3	31.3
Government	5.6	4.9
Enterprise[2]	3.3	6.5
Aviation	48.3	2.5
Central Services[3]	332.2	611.4
Total capital expenditure	**424.7**	**656.6**

[1] Maritime includes Globe Wireless LLC ("Globe Wireless") from 1 January 2014 (see note 10).

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

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

[4] Capital expenditure is stated using accruals basis.

4. Net finance expense

($ in millions)	2014	2013
Interest on Senior Notes and credit facilities	(84.3)	(84.9)
Interest on Convertible Bonds	18.3	(29.5)
Interest rate swaps	–	(8.0)
Unwinding of discount on deferred satellite liabilities	(1.4)	(1.8)
Amortisation of debt issue costs	(16.0)	(8.2)
Amortisation of discount on Senior Notes due 2022	(0.5)	–
Redemption premium on Senior Notes due 2017	(32.8)	–
Other interest	(0.3)	(0.9)
Finance expense	**(117.0)**	**(133.3)**
Less: Amounts capitalised in the cost of qualifying assets	41.9	79.1
Total finance expense	**(75.1)**	**(54.2)**
Bank interest receivable and other interest	1.5	3.3
Net amortisation of premium on Senior Notes due 2017	6.0	1.5
Pension and post-employment liability finance income	0.6	0.1
Total finance income	**8.1**	**4.9**
Net finance expense	**(67.0)**	**(49.3)**

During the year, a non-recurring credit of $48.5m was recognised to interest expense on the Convertible Bonds arising from an adjustment to the expected maturity date. This was offset by a corresponding adjustment of $14.3m to reverse interest previously capitalised in the cost of qualifying assets.

5. Income tax expense

($ in millions)	2014	2013
Current tax expense:		
Current year	(41.0)	(30.0)
Adjustments in respect of prior periods	45.9	(46.7)
Total current tax expense	**4.9**	**(76.7)**
Deferred tax expense:		
Origination and reversal of temporary differences	(18.1)	(29.9)
Adjustments in respect of prior periods	9.3	(3.1)
Adjustments due to reducing the UK corporation tax rate	2.7	23.2
Total deferred tax expense	**(6.1)**	**(9.8)**
Total income tax expense	**(1.2)**	**(86.5)**

Of the total $55.2m adjustment in respect of prior periods recognised in 2014, $53.1m relates to the release of a provision for potential tax liabilities which had been recognised in 2013 in relation to the Inmarsat-4 satellites. This provision is being released in 2014 as the HMRC review into this matter has now been concluded.

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

6. Net Borrowings

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

(($ in millions)	As at 31 December 2014 Amount	Deferred finance costs	Net balance	As at 31 December 2013 Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	–	–	–	3.5	–	3.5
Deferred satellite payments	5.9	–	5.9	10.6	–	10.6
EIB Facility(1)	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities(2)	68.1	–	68.1	13.3	–	13.3
Convertible Bonds(3)	–	–	–	325.6	(1.0)	324.6
– Accretion of principal	–	–	–	3.0	–	3.0
Total current borrowings	**118.1**	–	**118.1**	**400.1**	**(1.0)**	**399.1**
Non-current:						
Deferred satellite payments	17.4	–	17.4	23.6	–	23.6
Senior Notes due 2017(4)	–	–	–	850.0	(8.7)	841.3
– Net issuance premium	–	–	–	5.9	–	5.9
Senior Notes due 2022(5)	1,000.0	(8.7)	991.3	–	–	–
– Net issuance discount	(7.6)	–	(7.6)	–	–	–
EIB Facility(1)	132.1	(0.6)	131.5	176.2	(1.1)	175.1
Ex-Im Bank Facilities(2)	568.9	(18.9)	550.0	530.2	(18.1)	512.1
Convertible Bonds(3)	301.3	–	301.3	–	–	–
– Accretion of principal	3.1	–	3.1	–	–	–
Total non-current borrowings	**2,015.2**	**(28.2)**	**1,987.0**	**1,585.9**	**(27.9)**	**1,558.0**
Total Borrowings(6)	**2,133.3**	**(28.2)**	**2,105.1**	**1,986.0**	**(28.9)**	**1,957.1**
Cash and cash equivalents	(204.4)	–	(204.4)	(144.3)	–	(144.3)
Net Borrowings	**1,928.9**	**(28.2)**	**1,900.7**	**1,841.7**	**(28.9)**	**1,812.8**

1. This facility matures on 30 April 2018 and became repayable in equal annual instalments on both tranches with effect from 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin, payable in April, July, October and January each year.
2. During 2014, the Group signed a 7-year $185.9m direct financing agreement with Ex-Im Bank. The facility has a total availability period of two years and will then be repayable in equal semi-annual instalments over a further 5 years. Drawings under the facility incur interest at a fixed rate of 1.96% for the life of the loan. In addition, the $700.0m facility signed in 2011 is available for four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan.
3. The $287.7m, 1.75% Convertible Bonds are due in 2017 (the "Convertible Bonds"). As at 31 December 2014, the conversion price of the bonds was $12.31 and the total number of shares to be issued if all bonds are converted is 22.7 million shares. During 2014, bonds with a total accreted principal amount of $0.9m were redeemed before expiration of the redemption option.
4. On 4 June 2014, the Group redeemed the entire principal amount of $850.0m outstanding under our previous 7.375% Senior Notes due in 2017. The Group incurred a redemption premium of $32.8m and wrote off unamortised debt issue costs in relation to the Notes of $7.8m. In addition, at redemption the Group accelerated the write-off of the net premium on the Senior Notes due in 2017 to the Income Statement resulting in a credit of $5.3m.
5. On 4 June 2014, the Group issued $1 billion aggregate principal amount of 4.875% Senior Notes due in 2022 ("Senior Notes due 2022"). The aggregate gross proceeds were $991.9m, net of $8.1m issuance discount. In addition, the Group capitalised $9.2m of issuance costs in relation to the Senior Notes due 2022.
6. On 30 June 2011, the Group signed a five-year $750.0m revolving credit facility ("Senior Credit Facility"). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 31 December 2014, there were no drawings on the Senior Credit Facility.

7. Financial instruments fair value disclosures

The Group held financial instruments at fair value at 31 December 2014, as set out below. The Group has no financial instruments that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

($ in millions)	As at 31 December 2014	As at 31 December 2013
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.4	12.1
Forward foreign currency contracts – undesignated	–	0.7
	1.4	12.8
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	4.5	0.5
Forward foreign currency contracts – undesignated	0.5	–
	5.0	0.5

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

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

The Group holds a 19% interest in privately held SkyWave Mobile Communications Inc. ("SkyWave"). The investment is classified as an available for sale financial asset. On 7 November 2014, the Group announced that it had entered into binding agreements to sell its holding in SkyWave to ORBCOMM Inc. for total proceeds of US$32.9m. As at 31 December 2014 the Group reclassified the investment in SkyWave to assets held for sale and remeasured the asset to fair market value through other comprehensive income.

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

	As at 31 December 2014		As at 31 December 2013	
($ in millions)	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	992.5	–	–
Senior Notes due 2017	–	–	850.0	885.6
Convertible bonds	301.3	418.7	325.6	392.0

8. Dividends

($ in millions)	2014	2013
Final dividend for the year ended 31 December 2013 of 28.82 cents per share (2012: 27.45 cents per share)	129.1	122.8
Interim dividend for the year ended 31 December 2014 of 18.68 cents per share (2013: 17.79 cents per share)	83.7	79.6
Total dividend paid in the year	**212.8**	**202.4**

The Inmarsat plc Board of Directors intends to recommend a final dividend of 30.26 cents per ordinary share in respect of the year ended 31 December 2014 to be paid on 29 May 2015.

9. Earnings per share

Basic and diluted earnings per share
The basic and diluted earnings per share are based on a weighted average number of ordinary shares in issue of 448,089,231 and potentially in issue of 475,293,680, respectively (31 December 2013: 448,167,216 and 452,755,431). 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 and the convertible bonds. The impact of the convertible bonds was antidilutive in 2013.

At 31 December 2014, there were a total of 448,321,387 (31 December 2013: 448,301,122) ordinary shares in issue.

Adjusted earnings per share
Adjusted earnings per share reflects the basic and diluted earnings per share for year ended 31 December 2014 and 2013 adjusted to exclude the after-tax effect of impairment losses, the contribution of LightSquared to earnings and the effects of releasing a provision for potential tax liabilities which had been recognised in 2013. Adjusted earnings per share for the year ended 31 December 2013, has been restated to reflect the impact of the 2013 tax provision.

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 adjusted diluted earnings per share. The weighted average number of ordinary shares in issue did not differ from the unadjusted earnings per share calculations.

($ in millions)	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Earnings attributable to equity holders of the Company	340.5	102.0
Adjustments for:		
Provision in respect of tax liability on historic transaction	(53.1)	53.1
LightSquared contribution (net of tax)	(59.0)	(6.9)
Impairment losses (net of tax)	0.9	159.2
Adjusted earnings attributable to equity holders of the Company	**229.3**	**307.4**
Interest on convertible bonds (net of tax)	(14.4)	–
Adjusted diluted earnings attributable to equity holders of the Company	**214.9**	**307.4**

10. Acquisition of Globe Wireless

Effective from 1 January 2014, the Group acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC, for cash consideration of $45.2m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. The acquisition of Globe Wireless will benefit Inmarsat's Maritime business unit, with operating synergies and revenue growth expected from the acquisition.

The acquisition of Globe Wireless has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for the year ended 31 December 2014 include the financial results of Globe Wireless from 1 January 2014 (the effective date of the transaction). Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2014, the allocation of the purchase consideration was finalised. As a result, the Group recognised identifiable intangible assets of $23.6m and goodwill of $14.7m (refer to table below). Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents, among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. The goodwill balance also represents the benefit to the Group of the operating synergies and revenue growth expected from the acquisition.

The final allocation of the purchase consideration to the net assets and liabilities of Globe Wireless is as follows:

($ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets[1]	12.7	10.9	23.6
Property, plant and equipment	3.2	–	3.2
Other assets	0.2	–	0.2
Total non-current assets	**16.1**	**10.9**	**27.0**
Trade and other receivables[2]	22.0	–	22.0
Inventories	3.7	–	3.7
Other assets	2.4	–	2.4
Total current assets	**28.1**	–	**28.1**
Trade and other payables	(14.8)	–	(14.8)
Deferred revenue	(3.0)	–	(3.0)
Other liabilities	(4.7)	–	(4.7)
Deferred income tax liabilities	–	(1.2)	(1.2)
Non-current other payables	(0.9)	–	(0.9)
Total liabilities	**(23.4)**	(1.2)	**(24.6)**
Identifiable net assets	**20.8**	**9.7**	**30.5**
Cash consideration			45.2
Goodwill recognised[3]			**14.7**

1. The allocation of intangible assets consists of $16.0m of customer relationships, $3.5m for software, $3.5m for technology and $0.6m in relation to trade names, which are to be amortised over their useful lives of fourteen, three to five, five, and five years, respectively.
2. The book value of trade receivables of $15.2m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.
3. Of the $14.7m goodwill balance recognised 75% of the goodwill is deductible for tax purposes at the rate of 7% on a declining-balance basis.

The increase in the Group's revenues in the year ended 31 December 2014 included $55.1m due to the acquisition of Globe Wireless. The impact is shown net of intercompany eliminations and adjustments as Globe Wireless was an established distribution partner of Inmarsat; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results.

11. Contingent liability

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

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

The Group has contingent liabilities in respect of taxes for which no provisions have been made. During 2013, the Group received enquiries from HMRC in respect of prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of $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.

12. Events after the Balance Sheet date

On 2 January 2015 Inmarsat sold its 19% holding in SkyWave to ORBCOMM Inc. for $32.9m. As part of the agreement with ORBCOMM, Inmarsat will acquire SkyWave's satellite network assets, which are hosted at three Inmarsat Satellite Access Stations around the world, for $7.5m. The share sale is part of a suite of agreements that will enhance Inmarsat's M2M capabilities.

A payment of $17.5m due from LightSquared on 31 December 2014 under the terms of the Cooperation Agreement was not received on time. However this payment was subsequently received on 25 February 2015. This revenue was not recognised in 2014.

Subsequent to 31 December 2014, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

USE OF NON-GAAP FINANCIAL INFORMATION

Non-IFRS Measures

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

Net Borrowings

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

Free Cash Flow

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

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

EBITDA

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

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

Underlying performance

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

Maritime – underlying performance excludes the results attributable to Globe Wireless both as a Distribution Partner prior to its acquisition by Inmarsat in 2014 and as a subsidiary since the acquisition.

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

SUPPLEMENTARY INFORMATION

The results presented below are on the basis of the Group's previous reporting segments. From 1 January 2015 we will no longer present results using these segments.

Inmarsat plc Results by Segment

($ in millions)	Year ended 31 December 2014	Year ended 31 December 2013	Increase/ (decrease)
Revenue			
Inmarsat Global	904.2	807.0	12.0%
Inmarsat Solutions	750.5	765.5	(2.0%)
Intercompany eliminations and adjustments	(368.8)	(310.6)	18.7%
Total revenue	**1,285.9**	**1,261.9**	**1.9%**
Operating costs			
Inmarsat Global	273.2	235.7	15.9%
Inmarsat Solutions	680.5	688.3	(1.1%)
Intercompany eliminations and adjustments	(368.8)	(310.9)	18.6%
Total operating costs	**584.9**	**613.1**	**(4.6%)**
EBITDA			
Inmarsat Global	631.0	571.3	10.4%
Inmarsat Solutions	70.0	77.2	(9.3%)
Intercompany eliminations and adjustments	–	0.3	(100.0%)
Total EBITDA	**701.0**	**648.8**	**(8.0%)**

Revenue by Segment

($ in millions)	Year ended 31 December 2014	Year ended 31 December 2013	Increase/ (decrease)
Inmarsat Global			
Wholesale MSS	791.4	762.4	3.8%
LightSquared	75.4	12.3	513.0%
Other	37.4	32.3	15.8%
Total Inmarsat Global revenue	**904.2**	**807.0**	**12.0%**
Inmarsat Solutions			
Inmarsat MSS	425.7	380.4	11.9%
Broadband and Other MSS	324.8	385.1	(15.7%)
Total Inmarsat Solutions revenue	**750.5**	**765.5**	**(2.0%)**
Intercompany eliminations and adjustments	(368.8)	(310.6)	18.7%
Total revenue	**1,285.9**	**1,261.9**	**1.9%**

Active terminals

(in thousands)	As at 31 December 2014	As at 31 December 2013	Increase/ (decrease)
Active terminals[1]			
Maritime	187.0	188.9	(1.0%)
Land mobile	163.7	163.8	(0.0%)
Aviation	18.4	17.0	8.2%
Total active terminals	**369.1**	**369.7**	**(0.2%)**

Operating costs by Segment

($ in millions)	Year ended 31 December 2014	Year ended 31 December 2013	Increase/ (decrease)
Inmarsat Global			
Employee benefit costs	129.7	127.3	1.9%
Network and satellite operations costs	61.9	46.6	32.8%
Other operating costs	105.0	85.7	22.5%
Own work capitalised	(23.4)	(23.9)	(2.1%)
Total Inmarsat Global operating costs	**273.2**	**235.7**	**15.9%**
Inmarsat Solutions			
Employee benefit costs	107.6	117.5	(8.4%)
Network and satellite operations costs[2]	497.1	495.0	0.4%
Other operating costs	83.4	81.2	2.7%
Own work capitalised	(7.6)	(5.4)	40.7%
Total Inmarsat Solutions operating costs	**680.5**	**688.3**	**(1.1%)**
Intercompany eliminations and adjustments	(368.8)	(310.9)	18.6%
Total operating costs	**584.9**	**613.1**	**(4.6%)**

[1] 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 2014, we had 292,000 (2013: 261,180) M2M terminals. In addition, we provide some M2M and IsatPhone services on a lease basis where we do not record the number of terminals being served.

[2] Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.