



**Inmarsat Group Limited**

**2013 Annual Disclosure Document—Supplemental Disclosure 20 May 2014**

## RISK FACTORS

*The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations may be materially and adversely affected.*

*This document contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this document.*

### **Risks Relating to Our Business**

***The global communications industry is highly competitive. It is likely that we will face significant competition in the future from other network operators, which may adversely affect end-user take-up of our services and our revenues.***

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 satellite network operators. Iridium Communications Inc. (“**Iridium**”), a global MSS operator, is currently investing in new satellites that may enhance its service offerings and increase the level of competition we face. Iridium already provides a maritime service that offers a 128 kbps capability and competes with the low end of our FleetBroadband capability. In addition, we also face regional competition for data and voice services from regional MSS operators such as Globalstar, Inc. (“**Globalstar**”) and Thuraya Telecommunications Company (“**Thuraya**”) and to a lesser extent other regional MSS operators, which has influenced the price at which our distribution partners and service providers offer our services. Globalstar recently completed the launch of 24 new satellites and has reintroduced certain two-way services that may increase the level of competition we face. Thuraya, a leader in the provision of handheld satellite phones on a regional basis, offers a 444 kbps mobile data communications service also on a regional basis and a regional maritime 60 kbps data service.

Communications providers who operate private networks using very small aperture terminals (“**VSAT**”) or hybrid systems also continue to target users of mobile satellite services. Technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe may continue to increase, the competitiveness of VSAT and hybrid systems in 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 services in those areas.

Our GX services, when commercially available, will face competition from VSAT network operators and from new and existing satellite network operators. Many of these operators are specifically targeting the same mobility markets that we expect to address with GX. Intelsat S.A. has said it will build two new satellites, called Epic, to add capacity and enhance its network. Intelsat S.A. has said it intends to use the Epic satellites to target the government, maritime and energy sectors. Other satellite operators are planning High Throughput Satellites (“**HTS**”) that may increase the level of competition in GX target markets on a regional basis. For example, O3b Networks (“**O3b**”) is currently in the process of deploying a network of 8 MEO Ka-band satellites that it expects will offer mobility services within certain geographies.

***Reductions in spending by government customers, in particular the U.S. Government, have decreased our revenues and increased competition for government business; additional spending controls could further adversely affect our revenues, profitability and results of operations.***

Following the U.S. federal budget sequestration which took effect from 1 March 2013, we have experienced a significant contraction in U.S. Government business in our Inmarsat Solutions segment. Sequestration resulted

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

***Government sanctions on Russia may affect our ability to launch new satellites such as Inmarsat-5 F2 and F3.***

The current unstable geo-political situation in Ukraine has created new risks for our business activities in Russia or with Russian entities including U.S. and EU sanctions that may prohibit certain business activities. In particular the Inmarsat-5 F2 and F3 satellites are each committed to be launched on a Proton launch vehicle, a Russian-built rocket, from the Baikonur Cosmodrome in Kazakhstan, a facility which is leased and operated by the Russian Federation. We believe the current U.S. and EU restrictions in place do not affect our planned launches, but there is a risk that further erosion of the Ukraine situation or a broadening of Russian trading restrictions could cause unspecified launch delays and delay global coverage for our GX services, which could adversely affect our future revenues, profitability and results of operations. For more information, see “—*Risks Relating to Our Technology and the Operation and Development of Our Network—New or proposed satellites, such as Inmarsat-5 F2 and F3, are subject to construction and launch delay and launch failures, including a launch that fails to deliver a satellite to its designated orbital location after launch, or other satellite damage or destruction during launch, which could result in a total or partial satellite loss, the occurrence of which could have an adverse effect on our business, financial condition and results of operations*”.

***We may not retain sufficient rights to the spectrum required to operate our existing satellite system to its expected capacity, to take full advantage of future business opportunities or to operate our proposed Global Xpress service.***

We rely on radio spectrum to provide our services. This has historically been allocated by the International Telecommunication Union (“ITU”) without charge, and usage has to be co-ordinated with other satellite operators in our spectrum band. In the future, we may not be successful in co-ordinating our satellite operations under applicable international regulations and procedures or in obtaining sufficient spectrum or orbital resources necessary for our operations.

We must retain rights to use sufficient L-band and C-band spectrum necessary for the transmission of signals between our satellites and end-user terminals and between our satellites and our control stations. Our access to L-band spectrum and C-band spectrum is obtained through frequency coordination under ITU procedures. The L-band coordination is governed, in part, by sharing arrangements with other satellite operators that are re-evaluated and re-established through two annual, regional multilateral meetings of those satellite operators—one for operators whose satellites cover the Americas, and a second for those whose satellites cover Europe, Africa, Asia and the Pacific.

We agreed L-band spectrum allocations for 2013 at the most recent Europe, Africa, Asia and Pacific operators’ review meeting. We, together with LightSquared, also collectively have the rights to the majority of the L-band spectrum allocation in the Americas. As a result of the Cooperation Agreement we signed with LightSquared in December 2007 for spectrum re-use and reorganisation of our respective L-band spectrum across the Americas, we have agreed allocations for the Americas with LightSquared for the foreseeable future. We have default rights in the Cooperation Agreement protecting our spectrum interests and we believe those rights provide sufficient spectrum to support our existing services for the duration of the agreements. As part of our business planning we may need to apply for additional spectrum to support our future services and existing services growth.

In anticipation of our proposed Global Xpress service, we have secured a wide range of national and international authorisations allowing us to provide this Ka-band service on land, air, and at sea. Notwithstanding the progress we have made, there are still more licenses and authorisations for us to obtain before we launch this new Ka-band service globally and there can be no assurance all such approvals will be forthcoming prior to our scheduled launch date.

Competition for Ka-band, L-band and C-band spectrum from new operators or for new services or business opportunities could make it more difficult for us to retain rights to spectrum or to take full advantage of future business opportunities by obtaining access to further Ka-band, L-band and C-band spectrum. If we were unable to retain sufficient rights to Ka-band, L-band and C-band spectrum, our ability to provide our services in the future could be prejudiced, which could have an adverse effect on our business, financial condition and results of operations.

***Sales to our key distribution partners represent a significant portion of our wholesale MSS revenues and the loss of any of these distribution partners could adversely affect our revenues, profitability and liquidity.***

Although we have wholly-owned distribution capabilities through our Inmarsat Solutions segment, our Inmarsat Global segment continues to rely to a large extent on other third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. Accordingly, there is a risk that our distribution partners or service providers could fail to market or distribute our services effectively, or fail to offer services at prices which are competitive, which could adversely affect our revenues, profitability, liquidity and brand image. Changes in our business model could affect the willingness of third party distribution partners to continue to offer our services. In addition, the loss or merger of any key distribution partners could materially affect our routes to market, increase our reliance on a few key distributors, reduce customer choice or represent a significant bad debt risk. Inmarsat Solutions is Inmarsat Global's largest distribution partner and accounted for 38 per cent. of Inmarsat Global's MSS revenues in 2013. Our largest independent distribution partner accounted for 25 per cent. of Inmarsat Global's MSS revenues in 2013.

***The development of combined satellite and terrestrial networks could interfere with our services.***

On 29 January 2003, the FCC promulgated a general ruling (the "**ATC Ruling**") that MSS spectrum, including the L-band spectrum we use to operate our services, could be used by MSS operators to integrate ancillary terrestrial component ("**ATC**") services into their satellite networks in order to provide combined terrestrial and satellite communications services to mobile terminals in the United States. Since the time of the ATC Ruling a number of MSS operators, including LightSquared, have proposed or discussed such services.

The implementation of ATC services by MSS operators in the United States 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. In addition, the FCC's decision to permit integrated MSS/ATC services was based on certain assumptions, particularly relating to the level of interference that the provision of integrated MSS/ATC services would likely cause to other MSS operators, such as us, who use the L-band spectrum. If the FCC's assumptions with respect to the use of L-band spectrum for integrated MSS/ATC services prove inaccurate, or a significant level of integrated MSS/ATC services is provided in the United States, the provision of integrated MSS/ATC services could interfere with our satellites and user terminals, which may adversely impact our services. For example, the use of certain L-band spectrum to provide integrated MSS/ATC services in the United States could interfere with our satellites providing communications services outside the United States where the satellites' "footprint" overlaps the United States. Such interference could limit our ability to provide services that are transmitted through any satellite visible to the United States. Two of our three Inmarsat-4 satellites, two of our five Inmarsat-3 satellites and our Inmarsat-2 satellite are currently visible to the United States. The Alphasat satellite and Inmarsat-5 satellite presently in orbit are currently not visible to the United States, although future Inmarsat-5 satellites may be visible to the United States when they are launched. In addition, users of our terminals in the United States could suffer interruptions to our services if they tried to use their terminals near ATC terrestrial base stations used to provide integrated MSS/ATC services. In the event that we anticipate significant usage of mobile user terminals near ATC terrestrial base stations, it may be necessary for the manufacturers of the mobile terminals to modify their products to make them less susceptible to interference and for us to replace or upgrade existing user terminals to avoid harmful interference. Although in the case of our Cooperation Agreement with LightSquared we have received payments to compensate us for the costs anticipated to protect our network from interference from the proposed LightSquared network, such compensation may not be sufficient and our interference mitigation strategy may not be successful.

Jurisdictions other than the United States are considering, and could implement, similar regulatory regimes in the future. In May 2004, Industry Canada, the Canadian regulator, decided in principle to allow ATC services in Canada.

We cannot assure you that the development of hybrid networks in the United States, Canada, Europe or in other countries will not result in harmful interference to our operations. If we are unable to prevent such interference it could have an adverse effect on our business, financial condition and results of operations.

***We may be subject to operational and financial risks in relation to our Cooperation Agreement with LightSquared.***

Our Cooperation Agreement with LightSquared may present us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to coexist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our services over North America with minimal impact to our users following the launch of ATC services, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse effect on our future L-band service performance in North America. In order to mitigate this risk, we will continue to encourage users to progressively upgrade to much more spectrum-efficient BGAN, SwiftBroadband and FleetBroadband services, as well as to our Global Xpress service once launched. The process of migrating customers from our Existing & Evolved Services to our broadband services gives rise to the risk of customers choosing to move to other competitive services, which could have an adverse effect on our business, financial condition and results of operations.

***Third-party distribution partners provide ground infrastructure for our Existing & Evolved Services.***

We sell our Existing & Evolved Services, which still constitute a substantial portion of our revenues, to third-party distribution partners, many of whom operate the land earth stations (“LESs”) that transmit and receive those services to and from our satellites. If any of these distribution partners fail to provide or maintain these facilities, we would be forced to migrate the affected traffic to our own LES facilities. Although in such an event we have plans in place to migrate traffic to our own facilities, our Existing & Evolved Services would likely be interrupted whilst the migration takes place, which could adversely affect our business, financial condition and results of operations.

***We rely on third parties to manufacture and supply terminals for end-users to access our services and, as a result, we cannot control the availability of such terminals.***

Terminals used to access our services are built by a limited number of independent manufacturers. Although we provide manufacturers with key performance specifications for the terminals, these manufacturers could do one of the following:

- reduce production of, or cease to manufacture, some of the terminals that access our services;
- manufacture defective terminals that fail to perform to our specifications;
- fail to build or upgrade terminals that meet end-users’ requirements within our target sectors;
- fail to meet delivery schedules or to market or distribute terminals effectively; or
- sell some of our terminals at prices that end-users or potential end-users do not consider attractive.

If any of these third parties decides to cease manufacturing the terminals used to access our services, we may not be able to immediately find a replacement supplier on favourable terms, if at all. Also, if any of our suppliers have difficulty manufacturing or obtaining the necessary parts or material to manufacture our products, our business may be adversely affected.

Any of the foregoing could adversely affect the ability of our distribution partners to sell our services, which, in turn, could adversely affect our business, financial condition and results of operations.

***We are subject to foreign exchange risk.***

We use the US dollar as our functional and reporting currency. While almost all of our revenues are denominated in US dollars, a substantial portion of our operating expenses and, from time to time, a small proportion of our capital expenditures, are denominated in currencies other than the US dollar. Our primary

exchange rate risk is against pounds sterling. Although we generally hedge our foreign currency exposure in the short-term, there is no assurance that we will be able to adequately manage our foreign currency exposure in the longer-term or that our results of operations would not be affected by fluctuations of the US dollar against the pound sterling.

***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.***

Technological competence and innovation are critical to our business and depend, to a significant degree, on the work of technically skilled employees. The market for the services of these types of employees is competitive. We may not be able to attract and retain these employees. If we are unable to attract and retain adequate technically skilled employees, including those supporting the development and provision of our higher bandwidth services, our business, financial condition and results of operations could be materially adversely affected.

***We may be required to record impairment charges that would adversely affect our profitability.***

Accounting standards require the regular testing of the value of intangible assets, including goodwill, at the level of individual Cash-Generating-Units (“CGUs”). In each of the years ended 31 December 2013, 2012 and 2011, we have recorded impairment charges relating to the goodwill (and, in the year ended 31 December 2013, also relating to other intangible assets) held in the CGUs making up the Inmarsat Solutions segment of our business. These charges result from a number of internal and external factors, some of which result in an offsetting positive effect at the Inmarsat Global level and therefore do not reflect an equivalent loss of value at Group level. As our business evolves, further organisational, contractual and other changes may result in the requirement to record further impairment charges. Whilst these would not reflect any cash outflow to the Group, they would have an adverse effect on our results of operations.

#### **Risks Relating to Our Technology and the Operation and Development of Our Network**

***Our satellites are subject to significant operational risks while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity.***

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as “anomalies”, that have occurred in our satellites and the satellites of other operators as a result of various factors, such as satellite manufacturers’ errors, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space.

Although we work closely with satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide redundancy for many critical components in our satellites, we may experience anomalies in the future, either of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially adversely affect our operations, as well as our ability to attract new customers for our services. Anomalies could also reduce the expected useful life of a satellite, thereby reducing the revenue that we could generate with that satellite, or create additional expenses due to the need to provide replacement or back-up satellites. The occurrence of future anomalies could materially adversely affect our ability to insure our satellites at commercially reasonable premiums, if at all. For more information on the risk that we may be unable to obtain and maintain insurance for our satellites, see “—*We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity.*”.

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that a meteoroid will damage a satellite increases significantly when the Earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity poses a potential threat to all in-orbit satellites and there has been an increase in solar activity in recent years. While we have designed our satellites to withstand such solar events, there can be no assurance that high levels of solar activity will not degrade satellite performance in the future.

Some decommissioned spacecraft are in uncontrolled orbits that pass through the geostationary belt at various points, and present hazards to operational spacecraft, including our satellites. The loss, damage or

destruction of any of our satellites as a result of collision with meteorites, space debris, solar activity, malfunction or other events could have a material adverse effect on our business, financial condition and results of operations.

***The capacity of our satellites is limited and our network can be subject to congestion due to concentrated usage in a specific geography. Continuing congestion could damage our reputation for service availability and harm our results of operations.***

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 of operations.

***Our L-band ground network is subject to significant operational risks which, if they were to occur, could adversely affect our revenues, profitability and liquidity.***

Our L-band satellite control structure includes seven C-band tracking, telemetry and control ground stations located around the world. If two or more of these stations were to fail at the same time, our ability to operate our satellites effectively may be limited, which could adversely affect our revenues, profitability or liquidity. Inmarsat also operates three satellite access stations (“SASs”) for our broadband services via our three Inmarsat-4 satellites. Two of these SASs provide service redundancy for the EMEA region, our busiest traffic area. However, the third SAS, located in Hawaii, is currently providing services to two Inmarsat-4 satellites over the Americas and Asia-Pacific regions. While significant on-site redundancy has been incorporated into the Hawaii SAS, no redundant site is currently available in case of a failure of the Hawaii SAS. As a result, a failure of our Hawaii SAS could result in a material adverse effect on our business, financial condition and results of operations. Backup sites for the Hawaii facility are currently being established and we expect to have at least partial capability available in 2015. In addition, we operate LESs for our Existing & Evolved Services in the Netherlands, Canada, Australia and New Zealand. Whilst we do not have site redundancy for the landing of this traffic in our network, this traffic could alternatively be landed at the LESs operated by our third party distributors. Migrating our traffic to LESs operated by third party distributors could be disruptive, which could adversely affect our business, financial condition and results of operations.

***Our Global Xpress services are being developed and are subject to implementation risk.***

Our next generation service, Global Xpress, which will be deployed over a global network of Ka-band Inmarsat-5 satellites, is currently being developed. The development, which includes the Inmarsat-5 satellites, ground network, terminals and related services, may be subject to delays and material cost overruns. There can be no assurance that the development of new satellites, ground networks, and terminals, and 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. In addition, as we are relying on our contractual counterparties to perform under our contracts relating to the development and launch of our Inmarsat-5 satellites and Global Xpress service, we are at risk that these parties may not perform as anticipated and disputes may arise as to their contractual obligations. Failure or a delay in the completion of such networks or services, or the launch or deployment or operation of such satellites or new services, or increases in the associated costs, could have an adverse effect on our business, financial condition and results of operations. For example, a recent failure of a Proton launch vehicle has resulted in a delay to the launch schedules for our Inmarsat F2 and F3 satellites.

***Our networks and those of our distribution partners may be vulnerable to security risks.***

We expect the secure transmission of confidential information over our networks to continue to be a critical element of our operations. Our network and those of our distribution partners have in the past been, and may in the future be, vulnerable to unauthorised access, computer viruses and other security problems. Persons who circumvent our security measures could wrongfully obtain or use information on our network or cause interruptions, delays or malfunctions in our operations, any of which could have a material adverse effect on our revenues, profitability and liquidity. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any

such breaches. Although we have implemented and intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and may result in system failures and delays that could have a material adverse effect on our business, financial condition and results of operations.

***New or proposed satellites, such as Inmarsat-5 F2 and F3, are subject to construction and launch delay and launch failures, including a launch that fails to deliver a satellite to its designated orbital location after launch, or other satellite damage or destruction during launch, which could result in a total or partial satellite loss, the occurrence of which could have an adverse effect on our business, financial condition and results of operations.***

Our Inmarsat-5 satellites (F2 and F3) which are still under construction, are expected to be launched during 2014 and the first half of 2015. The construction and launch of satellites requires significant capital expenditure and are subject to the risk of delay and other problems. Delays can result from the delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures. For example, a recent failure of a Proton launch vehicle has resulted in a delay to the launch schedules for F2 and F3. In addition, launch failure of either of these two satellites would result in a delay in global GX service availability, due to the fact that our operational spare is not expected to be available for launch until mid-2016. Such delay could adversely affect our operations and our revenues. A delay caused by a launch failure may also preclude us from achieving the expected market penetration in Ka-band and undermine our ability to implement our business strategy. Launch vehicles may also underperform, in which case the satellite may still be placed into service by using its on board propulsion systems to reach the desired orbital location, but which would result in a material reduction in its service life. The failure to implement our satellite deployment plan on schedule could have an adverse effect on our business, financial condition and results of operations. See “—Risks Relating to Our Business—Government sanctions on Russia may affect our ability to launch new satellites such as Inmarsat-5 F2 and F3”.

***If we are required to shorten the expected useful lives of our satellites, our profitability could be adversely affected.***

A number of factors affect the useful lives of the satellites, including, among other things, the quality of their construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite’s functions, the efficiency of the launch vehicle used and the remaining on-board fuel following orbit insertion. The minimum design life of our Inmarsat-2 satellites was 10 years, while our Inmarsat-3 and Inmarsat-4 satellites each have a minimum design life of 13 years. The Inmarsat-5 and Alphasat satellites have design lives of 15 years each. The actual useful lives of our satellites can vary from their design lives. Changes in useful lives can have a significant effect on our depreciation charge and affect profitability, and we regularly reassess the useful economic lives of our satellites for financial reporting purposes. In October 2005, we changed the useful lives of the Inmarsat-4 satellites from 13 years to 15 years to reflect the better than expected performance of the launch vehicles and the adoption of an optimised mission strategy which are expected to extend the orbital lives of these satellites beyond their initial design life. However, there can be no assurance that in the future we will not be required to shorten the useful economic lives of our current or future satellites which could adversely affect our business, financial condition and results of operations.

***We may be unable to obtain and maintain insurance for our satellites, and any insurance we do obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity.***

We have in-orbit insurance cover for our existing fleet of three Inmarsat-4 satellites until December 2014 and expect to maintain commercially prudent levels of insurance in the future. Alphasat and the first of our Inmarsat-5 satellites, which were launched in 2013, are currently insured by the remaining cover period of the launch policy, which will partially expire on the first anniversary of the launch. We have obtained a level of in-orbit insurance for our Alphasat and Inmarsat-5 satellites for a period of four years following the launch policy expiry. We have also obtained launch and in-orbit insurance covering the launch and the first year in orbit for the next two of our Inmarsat-5 satellites.

The price, terms and availability of insurance have fluctuated significantly since we began offering commercial satellite services. The cost of obtaining insurance can vary as a result of either satellite failures or general conditions in the insurance industry. Insurance policies for satellites may not continue to be available on commercially reasonable terms, or at all. In addition to higher premiums, insurance policies may provide for



higher deductibles, shorter coverage periods and additional satellite health-related policy exclusions. An uninsured failure of one or more of our primary satellites could have a material adverse effect on our financial condition, revenue, profitability and liquidity. In addition, higher premiums on insurance policies would increase our costs, thereby reducing our operating income.

Even where we have obtained in-orbit insurance for a satellite, this insurance coverage will not protect us against all losses that might arise as a result of a satellite failure. Our current in-orbit insurance policies contain, and any future policies can be expected to contain, specified exclusions and material change limitations customary in the industry at the time the policy is written. These exclusions typically relate to losses resulting from acts of war, insurrection or military action, or government confiscation, as well as lasers, directed energy beams, or nuclear or anti-satellite devices or radioactive contamination.

In addition, should we wish to launch another satellite to replace a failed operational satellite, the timing of such launch would be dependent on the completion of manufacture of such a replacement satellite and prior commitments made by potential suppliers of launch services to other satellite operators. Our insurance does not protect us against lost or delayed revenue, business interruption or lost business opportunities.

We also maintain third-party liability insurance. This insurance may not be adequate or available to cover all third-party damages that may be caused by any of our satellites, and we may not in the future be able to renew our third-party liability cover on reasonable terms and conditions, if at all.

***New technologies introduced by our competitors may reduce demand for our services or render our technologies obsolete, which may have a material adverse effect on the cost structure and competitiveness of our services, possibly resulting in a negative effect on our revenues, profitability and liquidity.***

The space and communications industries are subject to rapid advances and innovations in technology. We expect to face competition in the future from companies using new technologies and new satellite and terrestrial systems. Advances or innovations in technology could render our technologies obsolete or less competitive by satisfying consumer demand in more attractive or cost-effective ways, or by introducing standards that are incompatible with ours. Obsolescence of the technologies that we use could have a material adverse effect on our business, financial condition and results of operations.

***Our business relies on intellectual property, some of which third parties own, and we may inadvertently infringe upon their patents and proprietary rights.***

Many entities, including some of our competitors, currently (or may in the future) hold patents and other intellectual property rights that cover or affect products or services related to those that we offer. We cannot assure you that we are aware of all intellectual property rights that our products may infringe upon. In general, if a court were to determine that one or more of our products infringe upon intellectual property held by others, we may be required to cease developing or marketing those products, to obtain licences from the holders of the intellectual property or to redesign those products in such a way as to avoid infringing upon others' patents. We cannot estimate the extent to which we may be required in the future to obtain intellectual property licences or the availability and cost of any such licences. To the extent that we are required to pay royalties to third parties to whom we are not currently making payments, these increased costs of doing business could negatively affect our profitability or liquidity.

In addition, if a competitor holds intellectual property rights, it may not allow us to use its intellectual property at any price, which could adversely affect our business, financial condition and results of operations.

## **Regulatory Risks**

***Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals and the provision of our MSS in some countries, which could require us to incur additional costs, could expose us to fines and could limit our ability to provide existing and new services in some countries.***

The maintenance and expansion of our business is dependent upon, among other things, our ability (and/or the ability of our distribution partners and/or their service providers) to obtain required government licences and authorisations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Our business is subject to the regulatory authority of the government of the United Kingdom and the national authorities of the countries in which we operate, as well as to the regulations of various international organisations. Government authorities generally regulate, among other things, the construction, launch and operation of satellites, the use of satellite spectrum at specific orbital locations, the licensing of earth stations and mobile terminals, and the provision of satellite services.

In particular, under the UK Outer Space Act 1986, we must obtain licences to conduct our business, including for the launch of our satellites. The terms of these licences provide that we indemnify the UK government without limit for any claim brought against it as a result of our licensed activities or in respect of any loss suffered by the UK government as a result of any breach of the terms of the licence. We also must maintain insurance of up to £100.0 million per satellite to be used to pay any sums to the UK government in respect of this indemnity.

Increasingly, regulatory authorities are imposing fees and introducing new regulatory requirements on businesses that use spectrum or offer communications services. This could significantly adversely affect our business. In addition to the licences issued to us by the UK government for the launch and operation of our satellites, to date we have obtained specific telecommunications, network or frequency licences with respect to our existing services in most countries where this sort of licence is required, and are currently discussing terms and conditions with several other countries. Additional countries are considering whether to implement such licence requirements or to introduce or increase licensing fees. These licence requirements and fees could require us to incur new and unforeseen additional costs, could expose us to fines if we were unable to obtain or retain any licences or meet all regulatory requirements, and could limit our ability to provide existing or new services in some countries, which could adversely affect our revenues, profitability or liquidity. While we have in the past been able to negotiate exemptions or fees that are nominal or proportionate to our business and the amount of spectrum actually used in a country, this cost could be higher in countries served by multiple beams, particularly in Ka-band or through a combination of L- and Ka-band.

It is also possible that regulatory authorities in some countries may require us to establish an earth station or a point of presence in their countries as a condition to distribute our services in those countries. This has, in particular, been a barrier to entry in India. Some countries may also require us to provide traffic reports on a regular basis or maintain a domestic billing database for their country. To the extent we own and/or operate the earth stations for our broadband, GSPS services and any future services such as Global Xpress, we are required to obtain licences for the operation of those stations as network facilities, and also will need to obtain rights to C-band and/or Ka-band spectrum for communications between the stations and our satellites. Approval of the offering of our services or operation of earth stations will be contingent upon us or our distribution partners providing any countries as they may so require, with the ability to monitor calls made to or from such countries and/or to intercept traffic. Although we believe that we will be able to address the concerns of many of these countries as they arise, there is no assurance that we (and/or our distribution partners and/or their service providers) will be able to do so. In addition, some countries in which we or our distribution partners, or their service providers, operate have laws and regulations relating to privacy and the protection of data which may impair our ability to obtain licences or offer our services on a timely basis. Furthermore, we need to ensure full compliance with UK Data Protection regulations when addressing these concerns.

Laws, policies and regulations affecting the satellite industry are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, or increase the cost of providing services over our system. Changes to current laws, policies or regulations or the adoption of new regulations could affect our ability to obtain or retain required government licences and authorisations or could otherwise have a material adverse effect on our business, financial condition and results of operations.

***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 overall relationship with our distribution partners is governed by our Distribution Agreements and by our Value-Added Reseller (VAR) Agreements. There is a risk that regulatory authorities or other third parties could challenge the Distribution and VAR Agreements, for example under European Union competition laws. It is not possible to obtain an exemption from European Union competition rules by notifying an agreement to the

European Commission, and parties must make their own assessment as to whether their agreements fulfil European Union competition requirements. We have previously conducted a regulatory review of the terms of our Distribution Agreements, and of our competitive position in the sectors in which we operate. We do not believe that we are party to any agreement that is, in the current competitive environment, anticompetitive, or otherwise faces a significant risk of regulatory challenge. However, the competitive environment may change, and regulatory risk analysis is by its nature subjective. Therefore, we cannot assure you that either we, or the Distribution and VAR Agreements, or our distribution partners face no risk of challenge. For example, competition authorities could determine that we have market power in one or more business sectors, and could challenge us, or the Distribution and VAR Agreements, or our distribution partners, as anticompetitive. A successful regulatory challenge could result in portions, or all, of the Distribution and VAR Agreements being declared unenforceable, could require us to modify or replace certain provisions of the Distribution and VAR Agreements in order to achieve compliance and, in certain circumstances, could result in the imposition of fines. Competition authorities generally have powers to impose fines, including for breaches of competition laws, which in the case of the European Commission, is up to a maximum of 10 per cent. of a company's worldwide annual group revenues. In addition, third parties could initiate civil litigation claiming damages caused by alleged anticompetitive practices and agreements.

***We may not be aware of certain foreign government regulations.***

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 or our customers do business do not hold the requisite licences and approvals as required in such countries.

Because regulatory schemes vary by country and evolve over time, we may be subject to regulations in foreign countries of which we are not presently aware. If that were to be the case, we could be subject to sanctions by a foreign government that could materially adversely affect our ability to operate in that country. Our current regulatory approvals could now be (or could become) insufficient in the view of foreign regulatory authorities, any additional necessary approvals may not be granted on a timely basis (or at all), in all jurisdictions in which we wish to offer services, and applicable restrictions in those jurisdictions could become unduly burdensome. The failure to obtain the authorisations necessary to operate satellites internationally could have a material adverse effect on our business, financial condition and results of operations.

***Our distribution partners and service providers face increasing regulation in many countries, and end-users often require licences to operate end-user terminals. This regulatory burden could increase the costs to our distribution partners and service providers or restrict their ability to sell our products.***

Our distribution partners and service providers require licences and regulatory consents (including national type approval of Inmarsat products where applicable) to offer our services in many countries where they operate. In addition, end-users often require licences to use our terminals. Furthermore, we expect that our distribution partners, their service providers and end-users will require licences for our L-band, including handheld, or for our Ka-band services in many jurisdictions in which they distribute our services or use our terminals, and they may fail to obtain those licenses. Any delay or failure by our distribution partners, their service providers or end-users to obtain required licences in connection with the distribution of our services or use of terminals could prevent our services from being distributed, sold or used in some countries or lead to unauthorised use that could adversely affect the reputation of our brand, which could have a material adverse effect on our business, financial condition and results of operations.

***We may not be successful in coordinating our satellite operations under applicable international regulations and procedures or in obtaining spectrum and orbital resources we require for our operations.***

The ITU regulates the use of radio frequency bands and orbital locations used by satellite networks to provide communications services. The use of spectrum and orbital resources by us and other satellite networks must be coordinated pursuant to the Radio Regulations in order to avoid causing harmful interference between or among the respective satellite networks. In the case of the L-band, the ITU process has been effected on the basis of agreements between the relevant national administrations whereby the use of frequencies by our satellite network and other satellite networks is coordinated in regional operator review meetings and negotiations. Whilst

we have agreed allocations for the Americas for the foreseeable future, it may not be possible to achieve agreement amongst operators in other regions. The increased competition for spectrum and orbital locations may make it difficult for us to obtain additional L-band spectrum allocations we require for our forecasted requirements. In the future, we may not be able to coordinate our satellite operations successfully under international telecommunications regulations and we may not be able to obtain or retain the spectrum and orbital resources we require to provide our existing or future services.

Competition for orbital locations in the Ka-band is intense and coordination can be challenging, in particular since Inmarsat has no previous coordination rights in this band. We may not be able to coordinate orbital locations for all Inmarsat-5 satellites, may experience delays in obtaining the required agreements, or may not be able to coordinate access to optimum locations.

## BUSINESS

### Overview

We believe that we are the leading provider of global MSS, providing data and voice connectivity to end-users worldwide, with over 34 years of experience in designing, launching and operating satellite-based networks. We have an in-orbit fleet of 10 owned and operated L-band satellites in geostationary orbit and in December 2013 successfully launched our first Inmarsat-5 Ka-band satellite. Our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and video conferencing. Our Inmarsat Solutions business, comprising our direct and indirect distribution business, offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of global and regional satellite system operators, predominantly the Inmarsat satellite system, and through other owned and operated telecommunications facilities. Our revenues, EBITDA and operating profit for the year ended 31 December 2013 were US\$1,261.9 million, US\$648.7 million and US\$238.3 million, respectively.

We have a successful launch and operating track record. We have launched three generations of L-band satellites and have not experienced a satellite failure either upon launch or in orbit. Our current fleet of L-band satellites includes one Inmarsat-2 satellite, launched in 1991, five Inmarsat-3 satellites, launched between 1996 and 1998, and four Inmarsat-4 satellites (including Alphasat), launched in March 2005, November 2005, August 2008 and July 2013. Our Inmarsat-2 and Inmarsat-3 satellites have remained in commercial operation beyond their original design lives. We currently expect that the last of our Inmarsat-2 satellites will cease commercial operation in 2014, and expect that the last of our Inmarsat-3 satellites will be in commercial operation until 2018. Our Inmarsat-2 and Inmarsat-3 satellites are used to offer our Existing & Evolved Services, which include all of our services offered prior to the start of services on our Inmarsat-4 satellites. Our Inmarsat-4 satellites provide our broadband services, GSPS and certain M2M services, as well as provide continuity for our Existing & Evolved Services.

In addition to our established L-band satellite services business, we are implementing a fully-funded US\$1.6 billion investment programme to provide new services in Ka-band. We refer to these services as Global Xpress or GX. GX is designed to deliver seamless global coverage and deliver Ka-band services with broadband speeds up to 50 Mbps for users in the government, maritime, energy, enterprise and aviation sectors. GX services will be supported by an operational constellation of three Inmarsat-5 satellites (with a fourth satellite currently planned to be an operational spare). The first Inmarsat-5 satellite was successfully launched in December 2013 and is currently undergoing service testing prior to entering commercial service, which we expect to occur in July 2014. We expect to complete the launch of the second and third Inmarsat-5 satellites in time to allow global commercial service to commence in the first half of 2015. We currently expect the fourth Inmarsat-5 satellite to be delivered in mid-2016. The Inmarsat-5 satellites, once launched and entered into commercial service, will add significant capacity to our network, will provide us with global Ka-band coverage and will have an expected commercial life beyond 2028.

Data rates for our services have increased with each satellite generation. Our Existing & Evolved Services are available at transmission rates of up to 128 kbps, although higher rates are possible where multiple terminals are used in conjunction with channel bonding equipment. Our broadband services include our BGAN service to the land mobile sector, our FleetBroadband service to the maritime sector and our SwiftBroadband service to the aviation sector. Our Inmarsat-4 satellites typically provide our BGAN service at transmission rates of up to 492 kbps, and FleetBroadband and SwiftBroadband services at transmission rates of up to 432 kbps. In addition, we offer a higher speed variant of our BGAN service that provides transmission rates that can exceed 650 kbps and are developing a higher speed variant SwiftBroadband service that will provide similar transmission rates. Our broadband services support higher-bandwidth applications, including videoconferencing, live video streaming and large file transfer, together with standard office applications such as email, internet, secure LAN access and voice telephony. These services have the same characteristics that our end-users have historically enjoyed, including reliability, ease of use and security, and are supported by terminals that are smaller, more portable and less expensive than the terminals used to access our Existing & Evolved Services.

In July 2011, we launched XpressLink, a global broadband service for the maritime industry. XpressLink offers Ku-band coverage and bandwidth (using the network capacity of other satellite operators), combined with the global capabilities of FleetBroadband's L-band service. We plan to migrate our XpressLink customers over time to our Global Xpress service when global commercial service begins.

We operate our business in two segments: Inmarsat Global and Inmarsat Solutions.

Inmarsat Global sells our global MSS services on a wholesale basis via a well-established, global network of distribution partners, including our Inmarsat Solutions business. Inmarsat Global's distribution partners provide our services to end-users, either directly or indirectly through service providers. Inmarsat Global has a network of over 40 distribution partners and over 800 service providers who are present in more than 100 countries on six continents, and who provide our services to end-users worldwide. Inmarsat Global continues to target and evaluate new distribution opportunities as they arise. Pursuant to its Distribution Agreements, Inmarsat Global charges its distribution partners wholesale rates according to the types of services they distribute to end-users. In addition, Inmarsat Global has signed distribution agreements for GX services with 20 organisations that we refer to as VARs.

Inmarsat Solutions offers a broad portfolio of remote telecommunications solutions to end-user customers either directly or indirectly through service providers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through other owned and operated telecommunications facilities. Inmarsat Solutions also provides secure IP managed solutions and services to government defence users, including the U.S. Army and other U.S. military services and government agencies.

## **History**

We were formed in 1979 as an international governmental organisation under treaty, with an initial objective to provide communications and safety services to ships at sea. We were established with a mandate to operate profitably and to generate returns on the invested capital. In 1999, we were privatised and became a private limited company under English law. As a result of privatisation, amongst other things, we became subject to normal corporate taxation, and we began funding ourselves independently in the international capital markets for the first time.

In December 2003, funds advised by Apax Partners and Permira Funds acquired a 51.7 per cent. controlling interest in us. In June 2005, Inmarsat plc, our ultimate parent company, completed an initial public offering and listed its ordinary shares on the London Stock Exchange. Subsequent to the initial public offering, Apax Partners and Permira Funds sold their holdings in the ordinary shares of Inmarsat plc.

In April 2009, Inmarsat plc completed the acquisition of Stratos, Inmarsat Global's largest distribution partner. In June 2010, we completed a reorganisation under which Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited and therefore subject to the terms of Inmarsat's outstanding debt, including the Existing Notes. Thereafter, the following acquisitions were also completed. We currently include Stratos and these acquired businesses in a single reporting segment, Inmarsat Solutions:

- In January 2010, we acquired the business assets of Segovia, which provides secure IP managed solutions and services to U.S. Government agencies and other commercial customers. Segovia now does business as "Inmarsat Government".
- In April 2011, we acquired Ship Equip, which provides VSAT maritime communications services to the shipping, offshore energy and fishing markets.
- In January 2012, we acquired NewWave, which sources and manages satellite capacity exclusively for Ship Equip, as well as providing maintenance services for certain Ship Equip network assets.
- In May 2013, we acquired TC Comms, which provides advanced mobile and fixed-site remote telecommunications services, customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to service providers and end-users.
- In January 2014, we acquired Globe Wireless, which provides value-added maritime communications services to the shipping market.

In addition, in January 2014, we sold the majority of our retail energy business to RigNet. The sale included our microwave and WiMAX networks in the U.S. Gulf of Mexico, our VSAT interests in the UK, the U.S. and Canada, our telecommunications systems integration business operating worldwide and our retail L-band energy satcoms business, which were previously included within our Inmarsat Solutions segment.

## Key Strengths

We believe that we are the leader in the global mobile satellite communications services industry, with leading positions in the maritime, land mobile and aviation sectors. The following key strengths enhance our position:

- **Unique Global L-band Communications Network.** Inmarsat Global owns and operates an in-orbit fleet of 10 geostationary satellites, including four Inmarsat-4 satellites, all of which use the L-band spectrum, which is suited to mobile communications, to provide a comprehensive portfolio of data and voice services on a global basis. Our primary network, Inmarsat-4, requires three satellites for global coverage, and includes a fully redundant in-orbit spare satellite. We have global spectrum rights which we believe would be difficult for any new market entrant to replicate. The quality and coverage of our network is further underpinned by the fact that we are currently the only provider of satellite services for the operation of the GMDSS, which maritime sector regulations require for all cargo vessels over 300 gross tons and for all passenger vessels that travel in international waters. In addition, we also comply with ICAO standards for the provision of aviation safety systems, such as air traffic management and aircraft operational control.
- **Large Installed End-User Base.** As at 31 March 2014, we had approximately 372,400 active terminals accessing our data, voice and broadband services, which in many instances are accessed by multiple end-users, such as those on board ships and aircraft. We also had over 270,000 active terminals accessing our M2M services. We believe that this large installed base of active terminals contributes to our stable revenues, due to the significant cost and effort required by end-users to switch to an alternative communications system. Government and military end-users, in particular the U.S. Department of Defense and the UK Ministry of Defence, are large users of our communications network. Our combined U.S. Government and Global Government business units account for 32 per cent. of our revenues. We believe that government usage of our services is characterised by high operational dependency and an increasing willingness to procure services from commercial providers, and as a result we believe we are well positioned to maintain and increase government sales of our services. Our corporate end-users tend to have a high degree of day-to-day reliance on our services to support mission critical operations which contributes to our revenue stability. International aid organisations rely on our services when responding to global events, including aid relief missions in response to natural disasters.
- **Established Global Distribution Network.** Inmarsat Global currently has over 40 distribution partners (including Inmarsat Solutions) who sell our L-band services to end-users, either directly or through a network of over 800 service providers. Some of our distribution partners and service providers specialise in the delivery of services to key end-user market sectors and offer specialist applications and value-added services in addition to our airtime. We believe our Inmarsat Solutions business and the terms of Inmarsat Global's Distribution Agreements increase our ability to influence the price and positioning of our services to end-users and improve the performance of our business over time.
- **High Margins and Strong EBITDA Growth.** For the past 13 years, Inmarsat Global, which generates the vast majority of our EBITDA, has had an EBITDA margin (excluding revenue and EBITDA associated with our Cooperation Agreement with LightSquared) which exceeded 63 per cent. and Inmarsat Global's EBITDA (excluding our Cooperation Agreement with LightSquared) has grown from US\$289.7 million for the year ended 31 December 2000 to US\$562.2 million for the year ended 31 December 2013. Inmarsat Global's wholesale business model results in our distribution partners and service providers incurring most of the marketing and associated subscriber, or end-user, acquisition costs, and consequently we believe that Inmarsat Global's EBITDA margins compare favourably to those of other communications service providers.
- **Global Services Portfolio in Place to Capitalise on Growth Opportunities.** We offer broadband services into each of our three market sectors. We believe our broadband services enable us to capitalise on the growth opportunities presented by increasing demand for high-bandwidth mobile communication services. In our land mobile business, we have launched satellite phone services and new M2M services. In our maritime business, to expand our addressable market, we have introduced lower-cost variants of our FleetBroadband service, FleetBroadband 150 and Fleet One. In our aviation sector, we are planning a lower-cost variant of our SwiftBroadband service. In addition, in July 2011, we launched our

XpressLink service, a global broadband service for the maritime industry which offers enhanced Ku-band coverage and bandwidth combined with the global capabilities of FleetBroadband's L-band service to offer a fully-integrated managed service. We plan to migrate our XpressLink customers to our Global Xpress service when global commercial service begins.

- ***Over 34-Years of Innovation, Technical Excellence and Reliability.*** We have over 34 years of experience in designing, implementing and operating global MSS networks, and have a track record of high-quality services and reliability. We have not experienced a satellite failure in our operating history and, throughout our history, we have pioneered innovations in satellite communication services to make higher data speeds available to smaller and lighter mobile terminals. In addition, over the three years ended 31 December 2013, our average satellite communications network availability exceeded 99.85 per cent. We believe our reliability is particularly attractive to government, military and enterprise-level users whose operations typically require mission and business critical communications support. This resiliency is further strengthened following the successful launch of our new Alphasat satellite, which provides in-orbit redundancy for the Inmarsat-4 network.
- ***Experienced Management Team.*** We have a highly experienced management team. Members of our senior management team have held senior positions at a number of public companies. Our senior management team has significant experience in the satellite industry with many successful launch campaigns and satellite deployments. They are supported by a world class technical team that has been in place since Inmarsat launched the Inmarsat-2 satellites in the early 1990s.

## Strategy

Our goal is to grow our existing business and find new growth opportunities. We plan to:

- ***Maintain Revenue Growth and Strong Cash Flow Generation by Increasing Sales of Our L-band Services.*** We intend to maintain revenue and cash generation by leveraging our portfolio of L-band services and our leading position in the maritime, land mobile and aviation sectors to increase sales of our L-band services, while maintaining our cost control. In addition, we are continuing to develop new service enhancements to retain and grow user revenues.
- ***Complete Our Inmarsat-5 Network and Successfully Introduce GX Services.*** We are implementing a US\$1.6 billion investment programme to provide new GX services in Ka-band. GX is designed to offer seamless global coverage and deliver Ka-band services with broadband speeds up to 50 Mbps. GX will target established VSAT markets for the government, maritime, energy and enterprise sectors, which we believe represented in 2010 an addressable market of US\$1.9 billion in wholesale satellite capacity sales. We also believe a market for in-flight passenger connectivity services is developing and will represent a further opportunity for GX in the aviation sector. GX will combine the services offered on our new Ka-band Inmarsat-5 satellites with our highly resilient existing L-band services which we believe will present a compelling service package to customers offering choice, quality and reliability. In addition, we intend to enhance our overall service offering by developing and hosting end-user solutions and applications that will increase GX usage and dependency. Through pre-purchase agreements and other contractual commitments, we have already secured a material portion of target revenues for the first five years of our GX business plan. GX services will be supported by an operational constellation of three Inmarsat-5 satellites (with a fourth satellite currently planned to be an operational spare). We successfully launched the first Inmarsat-5 satellite in December 2013. We expect to complete the launch of the second and third Inmarsat-5 satellites in time to allow global commercial service to commence in the first half of 2015. We currently expect the fourth Inmarsat-5 satellite to be delivered in mid-2016. The Inmarsat-5 satellites, once launched and entered into commercial service, will add significant capacity to our network, will provide us with global Ka-band coverage and will have an expected commercial life beyond 2028.
- ***Seek to Develop Appropriate Value Realisation Opportunities from Our Spectrum Allocations.*** We will seek to create value from our spectrum allocations where this can be achieved in a way that is consistent with our other strategic objectives, while also ensuring that the provision of our existing services is protected. In December 2007, we entered into the Cooperation Agreement with LightSquared for the efficient use of L-band spectrum over North America. We believe that our Cooperation Agreement with LightSquared is indicative of a likelihood that spectrum shortages may become common in many countries and that some regulatory authorities will therefore adopt an increasingly



flexible approach to the terrestrial usage of the radio spectrum currently allocated for satellite usage. On 13 May 2009, the European Commission awarded us rights over 30MHz of contiguous S-band frequencies for use in a pan-European satellite and complementary terrestrial deployment. Although we are actively pursuing opportunities to develop an S-band business plan, we expect only to proceed if we are able to significantly derisk financial and/or market risk by means of an investment by, or partnerships or collaborations with, substantial financial and/or strategic and/or infrastructure partners. We believe that the total investment requirement for an S-band satellite programme would be in the region of US\$400 million over a period of approximately three years. A decision to move forward with an S-band business plan could be made at any time.

## Geographical Markets

Revenues are allocated to countries based on the billing address of the customer. For Inmarsat Global this is the distribution partner who receives the invoice for the service, and for Inmarsat Solutions this is the billing address of the customer for whom the service is provided.

The table below provides a breakdown of our revenue for the years ended 31 December 2013, 2012 and 2011 by geographical region:

	Year ended 31 December		
	2013	2012	2011
	(US\$ in millions)		
Europe .....	518.7	499.1	509.3
North America .....	438.5	547.5	630.2
Asia-Pacific .....	254.7	243.2	211.0
Rest of the world .....	50.0	48.0	58.0
<b>Total revenues</b> .....	<b>1,261.9</b>	<b>1,337.8</b>	<b>1,408.5</b>

## Inmarsat Global

Our Inmarsat Global business (which contributed 88 per cent. of our 2013 EBITDA) operates in one business segment, which is principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications services, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate.

### *Inmarsat Global Services*

Inmarsat Global's principal services are MSS, which, in 2013, accounted for 94 per cent. of Inmarsat Global's revenue as compared with 88 per cent. in 2012. End-users access our services at sea, on land and in the air. We provide mobile data and voice services on a wholesale, on-demand basis through user terminals that vary based on bandwidth capability, size, mobility, and cost and lease capacity. Some of our services are available only in specified sectors (e.g., maritime-only applications), while others are available across a number of market sectors.

#### *Our Existing & Evolved Services*

Existing & Evolved Services are those services that were introduced on our Inmarsat-2 and Inmarsat-3 satellites. All of our current Existing & Evolved Services can also be supported by our Inmarsat-4 satellites. Since 1982, our Existing & Evolved digital data and voice products have been improving, with the introduction of higher data speeds, helping to consolidate our position in the maritime sector, facilitating our entry into the land mobile and aviation sectors and adding increasingly high-speed data products to our portfolio which we have grown for over 34 years.

#### *Our Broadband Services*

The broadband capability offered by our Inmarsat-4 satellites has allowed us to introduce a new generation of broadband MSS. These services are referred to as BGAN, FleetBroadband and SwiftBroadband. These services use Internet Protocol ("IP") technology to provide higher data speeds than are possible using Existing & Evolved Services.

##### FleetBroadband (Maritime)

Our FleetBroadband services were first launched in November 2007 and have been available globally since February 2009 targeting the maritime sector. These services offer voice and high-speed IP data service at

transmission rates of up to 432 kbps. FleetBroadband was the first maritime communications service to provide cost-effective broadband data and voice, simultaneously, on a global basis. Operational systems can run online while multiple users simultaneously access email, the internet and make phone calls, all via a single terminal. In 2009, we began to actively encourage the migration of our maritime end-users from our Existing & Evolved Services to our FleetBroadband service. We did this by announcing certain price increases for older services, as well as through offering lower prices on FleetBroadband, for example per megabyte transmitted, both for on-demand and within pricing packages.

We launched our FleetBroadband 150 service in May 2009. FleetBroadband 150 is a lower cost variant of our FleetBroadband range and was introduced to target and expand the addressable markets for smaller vessels, coastal merchant vessels and the fishing and marine leisure sectors. FleetBroadband 150 offers voice connection of landline quality, accessible simultaneously with an internet connection of up to 150 kbps, and simple-to-use SMS. In addition, on 7 May 2014, we launched Fleet One, which offers transmission rates of up to 100 kbps. The service is a smaller lower cost variant of our FleetBroadband services, and is aimed at the fishing and marine leisure sectors.

#### BGAN (Land Mobile)

Our BGAN service was our first broadband service. BGAN was first launched in December 2005 and has been available on a global basis since February 2009. BGAN offers end-users secure, reliable broadband internet and telephony capability for high-speed data applications using portable terminals connecting via USB, Bluetooth, Wi-Fi or Ethernet, depending on terminal type. The service supports data transmission rates of up to 492 kbps, similar to, and in some cases higher than, the transmission rates for third generation (“3G”) terrestrial wireless networks, with the option of 64 kbps Integrated Services Digital Network (“ISDN”) or IP streaming at certain rates between 8 and 384 kbps. BGAN also offers a premium X-Stream service allowing a guaranteed minimum symmetrical video streaming rate of up to 450 kbps.

We launched our BGAN High Data Rate (“HDR”) in December 2013. This service is aimed at live TV broadcasting and provides an average speed of 650 kbps, but which can achieve speeds over 800 kbps.

In 2013, we also began to offer BGAN Converge, which is a system able to compete with VSAT to serve mobile requirements such as video conference. BGAN Converge enhances the reliable, scalable and secure BGAN product line with bidirectional data rates up to 800 kbps.

#### SwiftBroadband (Aviation)

In October 2007, we launched our SwiftBroadband services to the aviation sector, which can be accessed by end-users through dedicated terminals specifically designed for use on aircraft. SwiftBroadband offers simultaneous voice and data connectivity of up to 432 kbps.

SwiftBroadband is suitable for a range of applications from aircraft operation and management to cabin applications such as voice, email, internet access, SMS text messaging and integration into in-flight entertainment systems. In addition, SwiftBroadband is available for the in-flight use of cellular phones, personal digital assistants (“PDAs”), such as BlackBerrys, and for Wi-Fi browsing services.

In October 2010, we introduced a new class of our SwiftBroadband service, SwiftBroadband 200 (“SB200”). SB200 is designed to extend the benefits of Inmarsat aviation services to smaller aircraft and provides a lower cost option for IP data service up to 200 kbps.

We are currently developing a higher speed variant service, SwiftBroadband HDR, which will provide an average speed of 650 kbps.

We are also currently developing aviation safety services to be supported by SwiftBroadband. These services continue to build on our heritage of providing safety services through our Existing & Evolved Services to the aviation market.

#### *Other Inmarsat-4 Services*

##### GSPS

In June 2010, we launched our first global handheld satellite phone service, the IsatPhone Pro. The IsatPhone Pro is the first handheld satellite phone to be purpose-built for the Inmarsat network. The IsatPhone

Pro is targeted primarily at professional users in the government, media, aid, oil and gas, mining and construction sectors. It offers satellite telephony, with Bluetooth for hands-free use, voicemail, SMS and email messaging, with a data capability which became available at the end of March 2011. As at 31 March 2014, IsatPhone Pro had over 87,000 active subscribers.

In March 2014, we launched our next generation satellite phone, the IsatPhone 2. The IsatPhone 2 has a rugged handset design, an industry-leading eight hours of talk time and 160 hours on standby, and includes a range of updated emergency and tracking features.

#### Machine-to-Machine Services (“M2M”)

Inmarsat Global has a range of services targeting the M2M market. In August 2011, together with our partner SkyWave Mobile Communications, we announced the launch of IsatData Pro, a new service designed to enable data packet communication with remote assets at much greater data speeds than are possible with any comparable competitive terminal. In January 2012, we launched a new M2M terminal based on our BGAN service. The BGAN M2M service offers an end-to-end IP data capability for real-time applications, including smart metering, SCADA, monitoring and other infrastructure telemetry solutions. In addition, we have established M2M services using our Inmarsat D+ and IsatM2M terminals. Among our target markets for this new service are utilities, oil and gas and asset tracking. As at 31 March 2014, we had over 270,000 M2M terminals accessing our network.

In November 2013, we announced a strategic agreement with ORBCOMM Inc. (“ORBCOMM”), a leading provider of satellite-based M2M services. Inmarsat and ORBCOMM will collaborate on a standard hardware platform that will incorporate interchangeable modems powered by ORBCOMM’s OG2 VHF network and Inmarsat Global’s L-band network. The agreement is expected to result in a uniform platform offering customers access to different network solutions through a single device.

In May 2014, we announced that a major M2M contract had been signed and would begin to contribute revenue during the second quarter of 2014.

#### XpressLink

In July 2011, we launched XpressLink, a managed global broadband service for the maritime industry. XpressLink offers enhanced Ku-band coverage and bandwidth, combined with the global capabilities of FleetBroadband’s L-band service on a fully-integrated basis. XpressLink also provides customers with a bridge to our Ka-band service by offering upgradable terminals to our Global Xpress service. XpressLink competes with existing maritime VSAT service offerings that often rely on Inmarsat services to provide back-up and resilience in areas where VSAT may be unavailable due to lack of coverage or those affected by adverse weather. XpressLink is unique in bundling a Ku-band VSAT service with our FleetBroadband service for a fixed monthly subscription. We plan to migrate our XpressLink customers to our Global Xpress service when global commercial service begins.

#### *Global Xpress Services*

Global Xpress services will be available over a global network of three Ka-band Inmarsat-5 satellites constructed by Boeing Space and Intelligence Systems. The first Inmarsat-5 satellite was successfully launched in December 2013 and we expect to complete the second and third launches during 2014 and the first half of 2015, providing global coverage once our Inmarsat-5s are commercially operational. In addition, a fourth satellite is currently being built as an operational spare. Global Xpress will combine the services offered on our new Ka-band Inmarsat-5 satellites with our highly resilient existing L-band services which we believe will present a compelling service package to our customers offering choice, quality and reliability. Global Xpress will offer mobile connectivity at speeds (up to 50Mbps to antennas of 60cm diameter) which are significantly faster than we are able to offer over our L-band satellites and will be faster than our VSAT competitors using Ku-band, which is currently the industry standard. We expect to offer terminals which will allow users to access the Global Xpress services on fixed and mobile platforms at sea, on land and in the air.

GX Aviation has the potential to support live feeds from the internet and will offer airlines the ability to roll out broadband services across their fleets. In the next decade, we expect a significant increase in connected aircraft.

For Global Xpress, the system design involves two independent gateway sites for each satellite, providing a high degree of redundancy. These sites also provide a Ka-band tracking, telemetry and control function for the Inmarsat-5 satellites. While a failure of a single site would have marginal impact on performance of the system, it would not have a material impact on our business.

### ***Services to End-Users***

#### *Services to Maritime End-Users*

We provide MSS to the maritime sector. In 2013, the maritime sector represented 57 per cent. of our total MSS revenues, of which approximately 83 per cent. was generated by data services and 17 per cent. was generated by voice services (as compared with 56 per cent., 81 per cent. and 19 per cent., respectively, in 2012).

We provide the following Existing & Evolved Services to the maritime sector: Inmarsat B, Inmarsat C, Inmarsat M, Mini M and Fleet. We also offer a broadband service, FleetBroadband, as well as leasing services to the maritime sector. These products offer voice services and data transmission rates ranging from 600 bps to 432 kbps.

End-users of our services in the maritime sector include companies engaged in merchant shipping, passenger transport, fishing, energy and leisure, as well as government and maritime patrol organisations (such as navies and coast guards). Merchant shipping accounts for the bulk of our maritime revenues, as those ships spend the majority of their time at sea away from coastal areas and out of reach of terrestrial communication services.

All of our existing maritime services are available globally (excluding the extreme polar regions).

Maritime end-users utilise our satellite communications services for the following:

- *Data and information applications.* Ships' crews and passengers use our services to send and receive email and data files, and to receive other information services such as electronic newspapers, weather reports, emergency bulletins and electronic charts and their updates. The data speeds we offer through FleetBroadband allow video conferencing and internet browsing for business and crew welfare purposes.
- *Vessel management, procurement and asset tracking.* Ship operators use our services to manage inventory on board ships and to transmit data, such as course, speed and fuel stock. Our services can be integrated with a global positioning system to provide a position reporting capability. Many fishing vessels are required to carry terminals using our services to monitor catches and to ensure compliance with geographic fishing restrictions. Furthermore, pursuant to the IMO resolution relating to long-range identification and tracking, security regulations were introduced requiring tracking of merchant vessels in territorial waters.
- *Voice services for passengers and crew.* Voice services are used for both vessel operations and social communications for crew welfare. Merchant shipping operators increasingly use our services to provide phone cards and/or payphones for crew use with preferential rates.
- *Safety.* In addition to our commercial activities, we provide GMDSS safety services to the maritime sector. Ships in distress use our safety services to alert a maritime rescue coordination centre of their situation and position. The rescue coordination centre then uses our services to coordinate rescue efforts among ships in the area. The IMO requires all cargo vessels over 300 gross tons and all passenger vessels, irrespective of size, that travel in international waters to carry distress and safety terminals that use our services. We are currently recognised by the IMO as the only provider of the satellite communications services required for GMDSS. We have also introduced further safety services: "505" for maritime users who do not have access to GMDSS services and our FleetBroadband voice distress service.

#### *Services to Land Mobile End-Users*

We provide MSS to the land mobile sector globally, providing services to areas not served or not served adequately by existing terrestrial communications networks. We believe that increasing workforce mobility and

widespread demand for reliable mobile communications devices capable of delivering higher data rates should contribute to increasing demand for our land mobile data services by users operating outside the coverage of terrestrial networks.

For 2013, the land mobile sector represented 17 per cent. of our total MSS revenues, of which data services generated approximately 84 per cent. and voice services generated approximately 16 per cent. (as compared with 18 per cent., 89 per cent. and 11 per cent., respectively, in 2012).

Military and government agencies constitute the largest end-users in the land mobile sector and, similar to maritime end-users, demand reliable, high quality services. In addition to military and government users, aid organisations, media, construction, energy and transport companies utilise our land mobile services. Global security concerns, such as the recent conflicts and events in Afghanistan, Iraq and North Africa, as well as relief missions in response to natural disasters, tend to drive periods of increased usage of our services.

We provide the following Existing & Evolved Services to the land mobile sector: Inmarsat B, Inmarsat C, Inmarsat D+, Inmarsat M, Mini M and GAN. We also offer BGAN, GSPS and further M2M services which include IsatM2M, IsatData Pro and BGAN M2M. These products offer data transmission rates up to 492 kbps (or higher, where multiple terminals are bonded and in the case of our new BGAN HDR services).

Our land mobile end-users utilise our satellite communications services for:

- *Voice, Data and Videophone.* Media companies and multinational corporations use our services for video conferencing, business telephony and to provide pay telephony services for employees in communities inadequately served by terrestrial networks. Media organisations transmit live broadcast-quality voice, live videophone and store-and-forward video footage and still images using our services.
- *Mobile and Remote Office Connectivity.* A variety of enterprises use our services to place and receive voice calls, access data, email, digital images, internet and facilitate corporate network connectivity.
- *M2M Services.* Our M2M services are used to monitor the location of assets or transport fleets and to conduct two-way communications with drivers. Governments and multinational corporations use our services to run applications that enable the remote operation of facilities such as lighthouses, oil pipelines and utilities networks.

We offer both data and voice services to land mobile sector end-users. All of our land mobile services are available globally (excluding the extreme polar regions).

#### *Services to Aviation End-Users*

We provide MSS to the aviation sector. In 2013, the aviation sector represented 15 per cent. of our total MSS revenues (as compared with 14 per cent. in 2012). In the aviation sector, our satellite communications services are used by government users, corporate jet operators, and commercial airlines. Avionics from our hardware partners have become factory options or standard equipment on a range of aircraft in business aviation and air transport.

We provide the following Existing & Evolved Services to the aviation sector: Aero C, Aero H/H+, Aero I, Aero L, Mini M and Swift 64. We also offer a broadband service, SwiftBroadband, to the aviation sector. These services offer voice and data communication rates ranging from 600 bps up to 432 kbps per channel. The Aero L, I, H and H+ services are compliant with ICAO's standards for provision of safety services.

Aviation users utilise our satellite communications services for:

- *Air Traffic Control Communications ("safety services").* Aircraft crew and air traffic controllers use our services for data and voice communication between the flight deck and ground based control facilities. This includes ADS (Automatic Dependent Surveillance) for waypoint position reporting, ACARS/FANS (Aircraft Communication and Reporting System/Future Air Navigation System) for data link messages between the controller and an aircraft and CPDLC (Controller Pilot Data Link Communication) for clearance and information services. Examples of our safety services include user coordinated revisions of flight plans en route and transmission of aircraft systems' data to the ground.

- *Operational Communications.* Aircraft crew and airline ground operations use our services for air-to-ground telephony and data communications. For example, aircraft systems’ “mission critical” condition data can be transmitted to the ground or administrative data can be transferred to the aircraft.
- *In-flight Passenger Communications.* Our services are used for air-to-ground telephony, data services and communications and as the enabler for in-flight mobile phone systems allowing passengers to communicate using their own mobile phones, smartphones and other PDAs or to access the internet via Wi-Fi services.

All of our existing aviation services are available globally (excluding the extreme polar regions).

### ***Leasing***

We lease capacity on our satellites to distribution partners who in turn provide the capacity to end-users. We entered into the Lease Agreements that took effect from 15 April 2009 with our distribution partners that lease our satellite capacity to end-users for exclusive use for a pre-arranged fixed term (as opposed to on-demand services). Typically, the end-user lease contracts are short-term, with terms of up to one year, although they can be as long as five years. We also lease specialised satellite navigation transponders on our Inmarsat-3 and Inmarsat-4 satellites primarily for the provision of navigation services to U.S. and European civil aviation organisations, for up to five years. In 2013, the leasing sector represented 11 per cent., of our total MSS revenues, as compared with 12 per cent. for the year ended 31 December 2012.

### ***Other Income***

We also generate revenue from the provision of operational support to other satellite operators, the provision of conference facilities, leasing surplus office space to external organisations and from the sale of terminals and other communication equipment primarily in respect of our GSPS service. “Other income” also includes revenue under our Cooperation Agreement with LightSquared (see below).

### ***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. The agreement was originally structured in two phases. Under Phase 1, we agreed to transition to a modified spectrum plan that would facilitate the deployment by LightSquared of ATC services. Under Phase 2, we agreed to transition to a further spectrum plan that would increase the total spectrum available to LightSquared for ATC services. Both Phase 1 and Phase 2 contained defined payment plans whereby Inmarsat would receive agreed payments from LightSquared for the delivery and completion of Phase 1 and for the delivery of Phase 2 on an ongoing basis until terminated by LightSquared. LightSquared has made total payments to us in respect of all phases of the Cooperation Agreement of US\$551.4 million, of which US\$5.0 million was received in April 2014 (during 2013 no payments were received). As at 31 March 2014, we had recognised US\$339.1 million of revenue and US\$23.3 million of operating costs under all phases of the Cooperation Agreement.

On 17 August 2010, LightSquared triggered Phase 1 of the Cooperation Agreement under which we were entitled to receive US\$118.8 million for the Phase 1 transition. In addition, we were entitled to receive US\$250.0 million towards our estimated costs associated with implementing the Phase 1 transition.

On 28 January 2011, we received notice from LightSquared triggering Phase 2 of the Cooperation Agreement under which we were entitled to receive payments of US\$115.0 million per annum (payable quarterly in advance), increasing at a rate of 3 per cent. annually.

On 15 April 2011, we signed an amendment to the Cooperation Agreement, under which we agreed (at our option) to accelerate delivery of part of the spectrum plan under Phase 2 by up to nine months from the date that we originally agreed with LightSquared in December 2007. Under the terms of the amendment, which we referred to as Phase 1.5, we received a payment of US\$40.0 million in April 2011.

On 20 April 2012, following regulatory and other challenges faced by LightSquared, we announced an agreement with LightSquared to further amend the Cooperation Agreement. Under the terms of the amendment, Phase 1.5 ceased to be operative and Phase 2 was renegotiated and suspended until 31 March 2014. In connection

with the amendment, LightSquared made a completion payment under Phase 1 of the agreement. The amended terms of the Cooperation Agreement were designed to provide LightSquared with additional time to secure regulatory consents that may ultimately lead to the deployment of its ATC network in North America. As a result of the amendment, LightSquared had no payment obligations under the Cooperation Agreement during the Phase 2 suspension period.

Under the terms of the April 2012 amendment, Phase 2 of the Cooperation Agreement was restructured to offer LightSquared a range of spectrum plans, with different payment terms linked to the amount of spectrum made available. At the end of the suspension period, LightSquared was required to make an election payment of US\$5m and notify Inmarsat of the spectrum plan it wished to adopt. LightSquared has further opportunities on or before 31 March 2016 to amend its choice and elect for a different spectrum plan. Payments for the various plans are payable quarterly in advance, once Inmarsat has declared the spectrum available for use, and increase at a rate of 3 per cent. annually.

In May 2012, LightSquared entered bankruptcy proceedings under Chapter 11 of the U.S. Bankruptcy Code. Although a number of bids have been made to either acquire or refinance LightSquared, none of these bids has yet been completed and LightSquared remains in the bankruptcy process. On 31 March 2014, LightSquared made an election under Phase 2 of the Cooperation Agreement and subsequently paid the US\$5 million election payment. As a result of the Phase 2 election, quarterly payments will become due for payment by LightSquared within 30 days of 1 June 2014, the date on which the parties have agreed that the Phase 2 spectrum for this option will be made available for use. Thereafter, Phase 2 payments will fall due on the next 31 March, 30 June, 30 September, and 31 December of each year. The payments due under the Phase 2 option elected by LightSquared are US\$12.5 million per quarter, increasing at a rate of 3.0 per cent. annually, with an additional amount of US\$5 million per quarter payable for the first 10 quarters.

Given the continuing lack of clarity regarding the future funding and ownership of LightSquared, it remains highly uncertain that such Phase 2 payments will be made or, if made initially, will be sustained. Inmarsat expects to account prudently for such payments until clarity regarding the future funding of LightSquared emerges.

See “*Risk Factors—Risk Relating to Our Business—We may be subject to operational and financial risks in relation to our Cooperation Agreement with LightSquared*”. The revenue generation of Inmarsat Global’s MSS and Inmarsat Solutions businesses is unaffected by the LightSquared developments.

### ***End-User Terminals***

Our data and voice services are provided over a range of communications terminals with different bandwidth capabilities, sizes, mobility and cost. Some of these terminals also provide maritime and aviation safety services. As size and portability are not as critical for maritime and aviation based users, the terminals available to these users are often larger, more expensive and satisfy the users’ requirements for stabilisation and more stringent pointing capabilities.

Specialised third parties manufacture our user terminals and, except in the case of GPS terminals, sell them to end-users directly or via their own independent sales channels, as do our distribution partners and service providers. In the case of GPS terminals, we sell these terminals directly to our distribution partners. We establish the performance specifications of all terminals used to access our services with the terminal manufacturers. This helps us to ensure that our service quality objectives are met.

Inmarsat Global manufactures GPS terminals using a contract manufacturer and sells these to our GPS distribution partners for onward sale to service providers and end-users.

Our broadband and GPS terminals are designed to provide access via our Inmarsat-4 satellites. These terminals use the same Subscriber Identity Module (“SIM”) cards as terrestrial wireless terminals. This interoperability enables distribution partners and service providers to deliver a single bill to users for both their mobile satellite and terrestrial communications services.

### ***Distribution***

We appoint distributors who we believe will be effective in selling our services. Inmarsat Global currently has over 40 distribution partners who provide our L-band services to end-users, either directly or indirectly

through a network of over 800 service providers. Inmarsat Solutions is Inmarsat Global's largest distribution partner and accounted for 38 per cent. of Inmarsat Global's MSS revenues in 2013 (as compared with 39 per cent. in 2012). Our largest independent distribution partner accounted for 25 per cent. of Inmarsat Global's MSS revenues in 2013 (as compared with 29 per cent. in 2012).

Our distribution partners have all signed Distribution Agreements with us. With respect to Inmarsat services, Inmarsat Solutions remains subject to the terms of our Distribution Agreements and purchases services from Inmarsat Global on a basis consistent with terms offered to other distributors. The majority of our Distribution Agreements came into force in April 2009 and provided us with improved terms and flexibility when compared with the previous agreements. Our Distribution Agreements have no fixed term and include provisions allowing for new services to be added in the future without requiring a new agreement.

While our Distribution Agreements specify the prices distributors pay for our services on a wholesale basis, we do not control or set the price charged by our independent distributors to end-users or service providers. Similarly, Inmarsat Solutions is free to set and change end-user pricing, which therefore provides flexibility to implement pricing strategies which we believe will be effective in driving demand.

In addition, Inmarsat Global has signed agreements for distribution of GX services with 20 organisations that we refer to as VARs.

### ***Land Earth Station (LES) Operators***

Our Existing & Evolved Services are transmitted via LESs owned by us and by certain of our distributors. Where our distributors own LESs, these arrangements are governed by separate bilateral agreements. Our broadband services, GSPS and certain other services are transmitted exclusively on our owned Inmarsat-4 ground network infrastructure and this arrangement is captured within our Distribution Agreements.

### **Inmarsat Solutions**

Our Inmarsat Solutions segment (which contributed 12 per cent. of our 2013 EBITDA) operates in one business segment and offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated satellite telecommunications facilities. Inmarsat Solutions also provides customised turnkey remote telecommunications solutions, value-added services and equipment.

The Inmarsat Solutions segment includes the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip (acquired on 28 April 2011), NewWave (acquired on 13 January 2012), TC Comms (acquired on 8 May 2013) and Globe Wireless (acquired effective from 1 January 2014). In addition, the Inmarsat Solutions segment from 31 January 2014 excludes the majority of our retail energy business which was sold to RigNet.

### ***Inmarsat MSS***

Inmarsat Solutions provides MSS over the Inmarsat satellite system directly to end-users, or through a network of service providers. Inmarsat Global's Existing & Evolved Services are provided through its own terrestrial network, including LESs located in Australia, Canada, the Netherlands and New Zealand, and through other LESs. Revenues from services provided over the Inmarsat satellite system, Inmarsat MSS revenues, in 2013 accounted for approximately 50 per cent. of the Inmarsat Solutions revenue, compared to 49 per cent. for 2012.

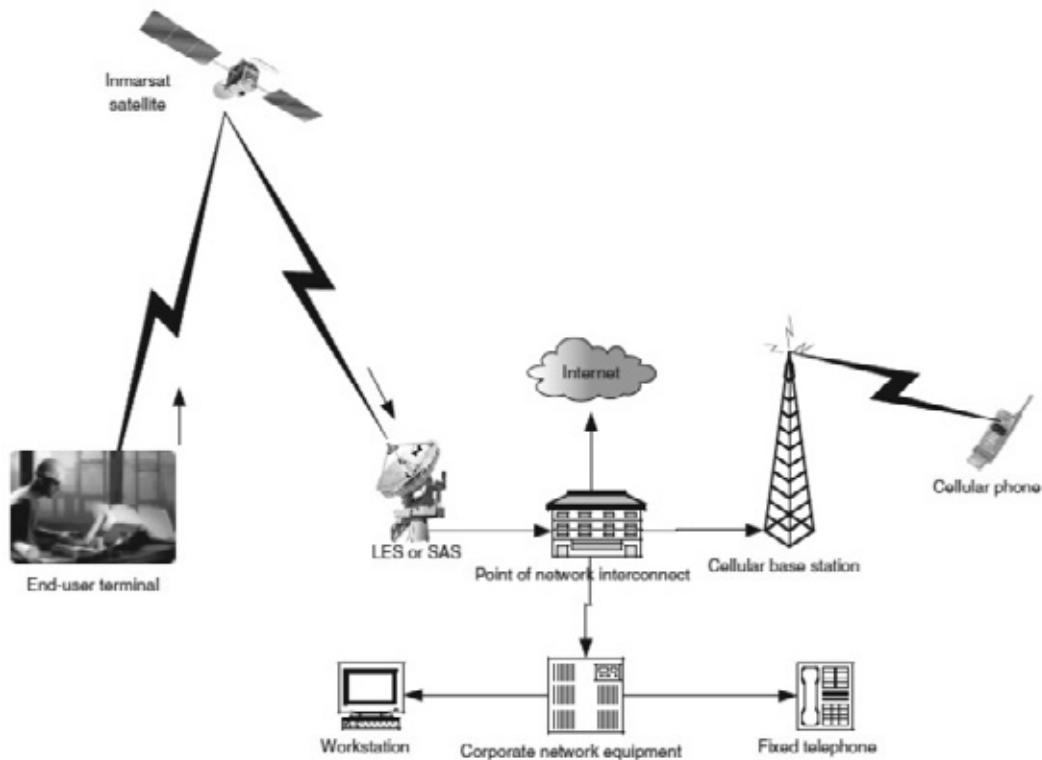
### ***Broadband and Other MSS***

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



## Our L-band Network

The following diagram illustrates how our L-band network carries a data or voice transmission from an end-user terminal to a terrestrial network for delivery to a wireless telephone, or to a computer or telephone connected to a corporate network.



Our L-band network is one of the largest satellite-based global mobile communications networks in the world. It comprises:

- our in-orbit fleet of 10 owned satellites in geostationary orbit located approximately 22,300 miles above the Earth, supported by four prime and three back-up tracking, telemetry and control stations located at different points around the globe;
- LESs owned by us and our distribution partners that transmit and receive our Existing & Evolved Services to and from our satellites;
- three SASs comprising a total of seven antennae, all of which transmit and receive traffic for our broadband and certain other Inmarsat-4 services to and from our satellite network. To comply with regulatory requirements, an additional SAS located in China transmits and receives traffic originating from and destined to mobile users located in Chinese territory;
- our GPS gateways that support our handheld satellite communication service;
- a range of wireline communications links to terrestrial communications networks, which in some cases, are procured or provided by our distribution partners; and
- our network operations centre and satellite control centre located in London. These facilities are further supported by a fully redundant disaster recovery site elsewhere.

## Our Satellites

The key characteristics of our existing geostationary satellites are summarised in the following table:

<b>Key characteristics</b>	<b>Inmarsat-2</b>	<b>Inmarsat-3</b>	<b>Inmarsat-4</b>	<b>Alphasat</b>	<b>Inmarsat-5</b>
Number of satellites	4 (1 in orbit)	5 (all in orbit)	3 (all in orbit)	1 (in orbit)	4 (1 in orbit, 3 on order)
Coverage and spot beams	Global beam	Global beam and six wide spot beams <sup>(1)</sup>	Global beam, 19 wide spot beams <sup>(1)</sup> and 200+ narrow spot beams <sup>(2)</sup>	Global beam and 200+ narrow spot beams <sup>(2)</sup>	89 Spot beams <sup>(3)</sup> and 6 steerable beams
User Link Frequency	L-Band	L-Band	L-Band	L-Band	Commercial and government Ka-Bands
Launch dates	October 1990 – April 1992	April 1996 – February 1998	March 2005 – August 2008	July 2013	December 2013 (first launch)
Orbital position (on the equator)	142W	64E, 15.5W, 178E, 54W, 25E	143.5E, 25E, 98W	25E	62.6E (first launch)
Geographic coverage	Regional	Global (other than extreme polar regions)	Global (other than extreme polar regions)	Regional, Global as part of Inmarsat-4 Constellation	Global (other than extreme polar regions)
Manufacturer	British Aerospace	Lockheed Martin	Astrium <sup>(4)</sup>	Thales/Astrium <sup>(4)</sup>	Boeing
Payload <sup>(5)</sup>	Hughes	Marconi	Astrium <sup>(4)</sup>	Astrium <sup>(4)</sup>	Boeing
Launch vehicle	Delta, Ariane	Atlas Centaur, Proton, Ariane	Atlas V (first launch), Sea Launch (second launch), and Proton (third launch)	Ariane	Proton (first launch)
Cost (including launch insurance)	US\$765.0 million	US\$895.0 million	US\$1.1 billion	US\$370 million	US\$1.6 billion
End of Life <sup>(6)</sup>	2014	2018	2023	2028	2029-2030

- (1) A wide spot beam has an average diameter of approximately 3,400 kilometres (2,100 miles), covering an area approximately the size of the continental United States.
- (2) A narrow spot beam has an average diameter of approximately 800 kilometres (500 miles), when pointed directly at the geographical regional immediately below the satellite (the “**sub-satellite point**”). This equates to an area approximately the size of Kenya. As the spot beam geographical coverage progressively moves away from the sub-satellite point, the geographical area covered by a narrow spot beam also progressively increases.
- (3) Up to 72 of the 89 beams may be active at any one time.
- (4) Now Airbus Defence and Space.
- (5) Payload refers to communications subsystem.
- (6) We calculate end of life estimates for our fleet of in-orbit satellites based on the latest information available for several factors. These factors include operational history, projections for remaining fuel on board, and the observed degradation of on-board systems in comparison to available redundancy. End of life estimates are subject to change and involve a degree of uncertainty.

### *Inmarsat-2 and Inmarsat-3 Satellites*

Each of our Inmarsat-2 satellites and Inmarsat-3 satellites covers up to one third of the Earth’s surface, giving our existing services global reach (except for the extreme polar regions).

Our satellites take advantage of the relatively wide coverage patterns of the antennae of mobile ground terminals with which they communicate to operate in orbits slightly inclined to the equator, thus reducing their station-keeping fuel requirements and thereby extending their operating lifetimes. The satellites contain on board fuel to support both regular position maintenance manoeuvres and possible relocations to new orbital locations. All manoeuvres consume on-board fuel and therefore reduce the remaining operating life of a satellite. We have managed the manoeuvres of our satellites in order to optimise the usable life of our satellite fleet.

We de-orbited the first two Inmarsat-2 satellites in 2006 and 2012, respectively. In April 2013, we completed the process of de-orbiting our third Inmarsat-2 satellite. We currently have one Inmarsat-2 satellite remaining operational in orbit. Although we currently expect that this satellite will cease commercial operations in 2014, we do not expect that the end of commercial operations will have an impact on our revenue generation due to the availability of the Inmarsat-3 satellites to assume the traffic previously carried on the Inmarsat-2 satellite.

#### *Inmarsat-4 Satellites*

Each of our Inmarsat-4 satellites has more than 200 narrow spot beams and 19 wide spot beams in addition to its global beam. These satellites support our broadband data services by incorporating higher-power transponders that can be focused into narrower beams than our earlier satellites. The satellites also employ technology that enables us to adjust the size, shape and power of spot beams to meet changing user demand. The design of the spot beams on our Inmarsat-4 satellites allows us to use the available spectrum more than 12 times more efficiently than is possible on our Inmarsat-3 satellites. Each Inmarsat-4 satellite is 60 times more powerful than an Inmarsat-3 satellite (measured by maximum equivalent isotropic radiated power (“EIRP”) on the narrowest spot beam), and each of our Inmarsat-4 satellites is capable of providing approximately 16 times more communications capacity than each of our Inmarsat-3 satellites, based on estimates of forward and return data rates of GAN services on the Inmarsat-3 satellites and BGAN on our Inmarsat-4 satellites.

#### *Alphasat Satellite*

In 2007, Inmarsat entered into a contract with Astrium (now Airbus Defence and Space) for the construction of Alphasat, a new satellite to be deployed over the EMEA region. Alphasat was successfully launched on Ariane 5 in July 2013. With the launch of Alphasat, we have enhanced our Inmarsat-4 BGAN/GSPS network and thus its reliability. With Alphasat deployed we have in-orbit redundancy, meaning a failure of either Alphasat or any one Inmarsat-4 satellite would not affect our ability to continue to offer global coverage in L-band via the remaining satellites, other than for a relatively short period of disruption. Alphasat has a design life of 15 years.

The Alphasat satellite is capable of providing our services across the complete 41 MHz of L-band mobile satellite spectrum available over the EMEA region. This capability provides greater flexibility in spectrum utilisation compared to the current Inmarsat-4 satellite for the EMEA region which is limited to providing service across 27 MHz of the L-band. In addition, Alphasat’s advanced digital processor capability and optimised antenna coverage provided up to 50 per cent. more capacity for our services as compared to an Inmarsat-4 satellite. The total cost of the Alphasat programme, including manufacture and launch of the satellite, was approximately US\$370 million (excluding capitalised borrowing costs).

#### *Inmarsat-5 Satellites*

In 2010, Inmarsat signed a contract with Boeing for the delivery of three identical Ka-band satellites (Inmarsat-5 F1, F2 and F3). Subsequently, in 2013, an option was exercised for an additional satellite (F4). The Inmarsat-5 satellites are based on Boeing’s 702HP heritage platform. Each satellite consists of two payloads: 1) a global payload of 89 beams, of which up to 72 can be used at any one time, making use of the full commercial Ka-band frequency range and 2) a high capacity payload (“HCP”) consisting of six 1.2° steerable beams that can make use of the full commercial and military Ka-bands. The global payload on each Inmarsat-5 satellite has 72 x 40 MHz channels, and will support the Global Xpress service. The Inmarsat-5 satellites each have a design life of 15 years.

Inmarsat-5 F1 was launched in December 2013 on a Proton launch vehicle and has successfully completed the full in-orbit testing of both the satellite platform and the payload. F2 and F3 are expected to be launched in 2014 and the first half of 2015 and F4 is expected to be ready for launch mid-2016. Having the additional Inmarsat-5 protects us against a launch failure of a preceding Inmarsat-5, or, if, as expected, all the launches are successful, would be available to provide coverage and capacity augmentation at an additional orbital location. We have not yet procured a launch vehicle for the Inmarsat-5 F4 and would expect such cost to be covered by insurance proceeds in the event of a launch failure of either F2 or F3. However in order to secure a launch date in mid-2016 it is likely that we will make a level of financial commitment to a launch vehicle for F4 in the near future. If Inmarsat-5 F4 is not required to replace a launch failure, a launch vehicle would in any event be needed to support an eventual launch in relation to an expanded business plan, or in relation to the provision of future in-orbit redundancy for the first three Inmarsat-5 satellites.

Each beam of the HCP can be steered independently to anywhere on the visible Earth. The HCP payload is highly configurable to make use of, or a combination of, commercial frequencies to provide additional capacity (up to 8 x 100 MHz channels) to the global service over a region of high demand (e.g. following a natural disaster), government frequencies terminal traffic routed via the Global Xpress commercial gateways or government frequencies routed to a dedicated government gateway.

Gateway coverage on each Inmarsat-5 is provided through two identical steerable gateway spot beams. Two gateway earth stations will be located separately in order to provide redundancy in the event of failure as well as the ability to provide gateway diversity.

The Inmarsat-5 network is designed to be interoperable with the U.S. Government Wideband Global Satcom system (“WGS”) so that WGS terminals can seamlessly operate on GX without any special manipulation. This provides U.S. Government customers the ability to fill in WGS-like capabilities in geographical areas where no such system is deployed, or access additional “surge-type” capability in support of existing services. The availability of WGS compatible services on GX will provide U.S. Government customers with secured communications capabilities at potentially lower cost than deploying and managing their own system and therefore could reduce their long-term investment needs. In return, this provides GX with revenue opportunities and can further strengthen our relationship with the U.S. Government as a customer.

### **Our Satellite Gateway Stations**

Satellite Gateway Stations provide the connectivity between our satellites and terrestrial voice and data networks such as the Public Switched Telephone Network (“PSTN”), the Internet, and the private networks of our Distribution Partners and end customers.

For the Existing & Evolved services, gateways, i.e. LESs, are owned by either Inmarsat or third party LES operators. Our LESs are located in the Netherlands, Italy, Australia, New Zealand and Canada and together provide the full suite of Existing & Evolved services on the five Inmarsat-3 satellites, as well as leasing services on Inmarsat-2 and Inmarsat-3 satellites. In addition to the LESs, the network is supported by four Network Coordination Stations located at various Inmarsat and third party locations around the globe.

Our Inmarsat-4 broadband service gateways are known as Satellite Access Stations and support our BGAN, FleetBroadband and SwiftBroadband product families. The SASs are primarily owned and operated by Inmarsat. Service in Europe, Middle East and Africa is provided from two locations, in the Netherlands and Italy. Both the Americas and AsiaPac regions are serviced from our SAS in Paumalu, Hawaii; in addition, this site supports the Classic Aero Existing & Evolved service on the Inmarsat-4s. Each SAS consists of a number of major components, and is architecturally similar to a GSM/UMTS mobile network. The Radio Frequency System, including a large (13m-16m) parabolic tracking antenna and the associated electronics, transmits the signals from the SAS to the spacecraft and also receives and amplifies the incoming signals. The Radio Access Network processes the signals and routes the communication traffic to the Core Network, which manages user sessions, provides mobility management and is the interface to the various terrestrial networks we connect with.

We have an agreement with the China Telecommunications and Information Centre to operate a SAS near Beijing serving Chinese territory. This system, which operates in coordination with Inmarsat’s SAS in Hawaii, allows us to meet the regulatory requirements for operation in China.

Our handheld service called GSPS operates in a similar manner to BGAN. The GSPS gateways are located in Italy, Hawaii and the Philippines.

The functions of all the various gateway stations are coordinated by the Inmarsat Network Operations Center (“NOC”), which is located in our headquarters in London. A hot-standby backup site is also able to carry out the functions of the NOC.

We have entered into a contract with iDirect for the development of the Inmarsat-5 air interface and Network Management System, and one with SED Systems for the ground segment infrastructure. During 2013, we began constructing a series of new gateways to support the upcoming launch of the Global Xpress service. To combat the higher impact of precipitation on Ka-band signals and provide the highest possible network availability for the GX service, two SAS sites have been constructed for each of the Inmarsat-5 satellites. Sites in Greece and Italy have been selected as the Global Xpress SASs for the Indian Ocean region satellite and contracts with OTE S.A. and Telespazio S.p.A. for these sites have been signed and the sites are now in operation. SAS sites have

also been selected for the Atlantic Ocean region satellite, and the SASs have been completed and are undergoing final testing in Lino Lakes (Minnesota, U.S.) and Winnipeg (Canada). The Pacific Ocean region SAS sites have also been selected and are under construction in New Zealand, in Auckland and Warkworth.

## **Billing**

Our billing systems collect and process data relating to all of the communications services we provide.

For our Inmarsat Global business, the majority of services have historically been charged on a usage basis, either by volume of data transmitted measured in kilobytes or megabytes, or by connection duration measured in minutes. We have also offered a number of rate plans, some of which feature advance payment in return for reduced rates and the facility to utilise the associated traffic allowance over an extended period of time or multiple terminals. Increasingly, we are providing plans which allow usage of a set amount of data for payment of a fixed monthly fee. We utilise some of our satellites to provide dedicated leased capacity to our distribution partners for several of our services, and to provide specialised navigational transponder facilities. Lease charges are determined by satellite availability, lease duration and the capacity, measured by service type, power and bandwidth, provided under the lease.

Services provided on a usage or fixed fee basis are invoiced monthly and payable by the distribution partner on that basis. Where capacity is leased, invoices are generated and payable by the distribution partner on a basis appropriate to the duration of the lease. Charges for leases, may be payable for the entire period prior to commencement of the lease (generally for those of a shorter duration). Others are typically payable quarterly in advance.

Within our Inmarsat Solutions business, charges for telecommunication services that are on the basis of usage or a fixed fee are typically billed monthly on a basis consistent with the underlying charge from Inmarsat Global, although Inmarsat Solutions also offers numerous rate plans which have separate billing arrangements depending on the plan structure. Charges for equipment, prepaid telecommunication cards and other services are billed upon fulfilment of the goods or service in accordance with the customer contract.

The non-MSS businesses of Inmarsat Solutions, such as our XpressLink service and the managed network services provided to U.S. Government customers, each make use of their own billing systems appropriate for the nature of the services provided. These services generally provide a certain amount of network capacity for a certain period rather than being provided on a usage basis.

## **Insurance of Our Business and Insurable Assets**

### *In-orbit Insurance*

We maintain in-orbit insurance for our fleet of three Inmarsat-4 satellites. Our current in-orbit insurance policy is renewable in December 2014. During 2013 we successfully launched Alphasat and the first of our Inmarsat-5 satellites, and both of these satellites remain insured by the cover period of the launch policy, which will partially expire on the first anniversary of the launch. A level of in-orbit insurance for our Alphasat and first Inmarsat-5 satellite will remain in place for a further four years. We expect to maintain an appropriate level of in-orbit insurance for the Inmarsat-4 satellites (including Alphasat) and the Inmarsat-5 satellites, following their launch and the expiry of the related launch insurance policy. The cost of obtaining insurance may vary as a result of either satellite failures or general conditions in the insurance market. For future years, in-orbit insurance may not continue to be available on commercially reasonable terms, or at all. See “*Risk Factors—Risks Relating to Our Technology and the Operation and Development of Our Network—We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity*”.

We do not maintain in-orbit insurance for our Inmarsat-2 or Inmarsat-3 satellites due to the high level of operational flexibility and redundancy in our satellite fleet as a whole.

### *Launch Insurance*

We have obtained launch insurance for our second and third Inmarsat-5 satellites. Launch insurance typically covers the “net book value” of the insured satellite, which for this purpose includes the cost of the

relevant satellite, related launch insurance premiums, the cost of purchasing a satellite launch vehicle and related services and capitalised costs. Our launch insurance includes one year of in-orbit insurance for each satellite. We have also obtained a level of in-orbit insurance for a further four years.

#### *Third-party Liability Insurance*

We also maintain third-party legal liability insurance. This insurance cover is in respect of sums which we may become legally obligated to pay for bodily injury or property damage caused by an occurrence related to services provided through our network or arising out of the ownership and/or operation of the Inmarsat fleet of satellites and including liability arising under the Convention on International Liability for Damage Caused by Space Objects (TIAS 7762) and the United Kingdom Outer Space Act 1986.

### **Intellectual Property**

#### *Our Brand*

Our main brand is “Inmarsat”. The word “Inmarsat” is a trademark licensed to us exclusively and perpetually by the International Mobile Satellite Organisation (“**IMSO**”). We have the right to have IMSO apply for registration of this trademark in the name of IMSO in any country in the world. The trademark is currently registered for equipment and services that are important to our business in many countries, including Australia, Brazil, Canada, the Netherlands, Belgium, Luxembourg, China, France, Germany, Norway, Singapore, Mexico, New Zealand, the United Arab Emirates, Egypt, Japan, Russia, South Africa, the United Kingdom, Turkey, Ukraine, Poland, Switzerland, Republic of Korea, Malaysia, India, Indonesia, Hong Kong, Cuba and the United States.

Our licence from IMSO allows us to grant sublicenses. We have granted non-exclusive and royalty-free sublicenses to, among others, our distribution partners, value added resellers and service providers to use the Inmarsat brand on the basis of the IMSO License.

#### *Protecting Our Technological Developments*

We use reasonable efforts to protect certain significant technology by filing patent applications in key jurisdictions. Our key jurisdictions vary depending on the technology involved. Patent applications have ordinarily been filed in the United States, key European countries, Hong Kong, China, Canada, Republic of Korea, Australia, Singapore, Mexico, the United Arab Emirates and Japan. Priority applications are usually filed in the United Kingdom.

In addition to the above, or where patent protection is not possible or practicable for us to obtain, we seek to protect significant information about our technology, or “know-how”, by releasing it only to those third parties who have a reasonable need to access it and who have signed confidentiality agreements or licence agreements containing strict confidentiality obligations.

#### *Key Operational Software*

We own some of the key operational software used in our satellite control and network operations centre because it was created by our employees or by outside consultants who have transferred their intellectual property rights in that software to us. The main software suites of this kind are an off air monitoring system and an Inmarsat network monitoring system, both of which are used in our network operations centre, and the Inmarsat Storm Satellite Support system suite of software used to control our satellite fleet and ground stations. In certain circumstances we commercially supply our satellite control software to third parties, as a way of reducing maintenance costs, funding additional safety features for satellite control and retaining critical operational skills in the business.

The rest of our operational software is customised software designed by either third parties who have retained the intellectual property rights in it, but licensed those rights to us (normally on a non exclusive, royalty free, perpetual, worldwide basis) for use for Inmarsat purposes, or by our employees based on existing software supplied by third parties who have granted to us licences to adapt that software.

All of our key operational software is supported by appropriate technical maintenance and support arrangements that are either provided by our own employees or by third parties.

## Competition

The global communications industry is highly competitive. We face competition from a number of communications technologies in a number of the target sectors for our services. It is likely that we will continue to face significant competition in some or all of our target sectors in the future.

### *Global MSS Competitors*

We currently face competition from two MSS operators, Iridium, which provides satellite services on a global basis, and Globalstar, which provides satellite services on a multi-regional basis. Both Iridium and Globalstar operate in different frequencies to us (the “big LEO” band), and as a result, their operations do not interfere with our L-band operations or compete for spectrum in the L-band.

After commencing operations in 1998, Iridium filed for U.S. bankruptcy protection in March 2000 and recommenced service in early 2001. Since then, we have faced competition from Iridium in voice and lower speed data services in the maritime and land mobile sectors. Iridium has also launched higher rate data services, OpenPort and Iridium Pilot, targeted at the maritime sector and which compete with our Existing & Evolved Services and the low end of our FleetBroadband capability.

Iridium is building a constellation of new satellites, called Iridium NEXT, with enhanced service capability including broadband data services. In June 2010, Iridium announced a contract for new satellites with Thales Alenia Space and currently expects to begin launching the new satellites in 2015. As a result, competition from Iridium in our MSS sectors could intensify after the deployment of the Iridium NEXT satellites.

Globalstar, which operates a multi-regional low-earth orbit system, began introducing commercial services in 2000. In February 2002, Globalstar filed for U.S. bankruptcy protection, which it exited in 2004 following its acquisition by Thermo Capital Partners. Despite near-global satellite coverage, Globalstar’s service is available only on a multi-regional basis as a consequence of gaps in its ground transmission facilities and the fact that, unlike the Iridium fleet, its satellites do not contain inter-satellite links for the space-routing of transmissions to its ground transmission facilities. As a result Globalstar’s coverage of oceanic areas remains limited and affects their ability to compete in the maritime and aviation sectors.

In December 2006, Globalstar signed a contract with Thales Alenia Space for a new constellation of 48 satellites and in February 2013 completed the launch of the first 24 of these satellites. Although Globalstar has not announced plans for the remaining 24 satellites, Globalstar has restored certain two-way satellite services that had become unavailable due to accelerated degradation of its first generation satellite network. As a result, the level of competition we face from Globalstar may increase in certain of our MSS sectors.

### *Regional MSS Competitors*

Our regional mobile satellite competitors currently include Thuraya, principally in the Middle East, Africa and Asia, and LightSquared in the Americas.

Thuraya offers voice and data services at transmission rates of up to 444 kbps in Europe, Northern and Central Africa, the Middle East, much of Asia and Australia over two geostationary satellites. Thuraya also supports GSM roaming services. In addition to its plans for 4G-LTE ATC services, LightSquared also offers voice and low-speed data or machine-to-machine services in the Americas using vehicle-mounted devices that are smaller in size and less expensive than comparable Inmarsat terminals and compete with terminals offered by SkyWave.

On 14 November 2010, LightSquared launched the first of two new satellites, SkyTerra 1, to support its ATC services. A second satellite was also contracted to be built and may be launched in the future. Although LightSquared has indicated that the primary purpose of the new satellites is to support ATC services that do not compete directly with our MSS services, the new satellites may extend the life of the previously existing LightSquared M2M services or provide the capability to offer services that may compete with us over the Americas in the future. Thuraya and LightSquared both operate in the L-band, LightSquared in Region 2 (the Americas), and Thuraya in Region 3 (Asia and Australia) and Region 1 (Europe, Middle East and Africa), and therefore compete with us for spectrum allocations in the L-band.

In March 2012, DISH Network Corporation (“**DISH**”), announced the completion of the acquisition of DBSD North America, Inc. (“**DBSD**”) (formerly ICO) and of substantially all the assets of TerreStar Networks

Inc. (“**TerreStar**”). DBSD and TerreStar had previously had plans to deploy integrated MSS/ATC services in North America. DISH has indicated that the primary purpose of the acquisitions is to make use of those companies’ spectrum allocations for ATC purposes in the United States. It is, however, possible that renewed investment in these networks could increase competition for our MSS business in the future.

O3b Networks (“**O3b**”) was formed in 2007 and began the deployment of a constellation of MEO Ka-band satellites in 2013. O3b launched four satellites in 2013 and plans to launch eight more satellites to complete a network that will offer satellite communications services within 45 degrees of latitude north and south of the equator. Although the O3b business plan is expected to principally focus on IP trunking and cellular services backhaul, O3b has also stated that they plan to target MSS opportunities for government, maritime and other users. If O3b is successful in targeting MSS sectors, we will face increased competition for our L-band and Global Xpress services.

#### *VSAT Service Competitors*

We face competition, principally in our maritime sector, from communications providers of VSAT services. For maritime customers, these providers include Harris CapRock Communications, Airbus Defence and Space, MTN Satellite Communications, KVH Industries, Inc. and Intelsat S.A. For aviation customers, these providers include Panasonic Avionics Corporation, Rockwell Collins, Inc, and Row 44. These and other operators operate private networks using VSATs or hybrid systems to target government and commercial users. VSATs are fixed, transportable or mobile terminals that access higher bandwidth services provided over satellite systems operating in the C-band, Ku-band and Ka-band frequencies. As well as new operators entering this area, the addition of further FSS satellite capacity and coverage is providing further competitive price pressure on the cost to end-users of VSAT services. Communication services provided by VSATs are primarily targeted at users who have a need for high-volume or high-bandwidth data services, although new entrants into the sector are offering lower volume and bandwidth products in competition with our services. The coverage area of VSAT services is not as extensive as the coverage area of MSS services, but is growing rapidly to meet demand and is expected to be substantially global within the next few years.

Technological innovation in VSAT equipment, together with increased C-band, Ku-band and Ka-band coverage, has increased, and we believe will continue to increase the competitiveness of VSAT and hybrid systems in some traditional MSS sectors by permitting smaller, more flexible and less expensive VSAT systems. In addition, our announced plans to enter the VSAT market with our Global Xpress service may have the effect of intensifying competition from VSAT service providers.

Intelsat has committed to launch two satellites which it refers to as ‘Epic’, operating with C-, Ku- and Ka-bands. While Intelsat expects to use the Epic satellites to enhance service and coverage for its primary broadband and media customers, it has also plans to address the mobility and government markets that we are targeting with Global Xpress. Certain satellite operators are investing in Ka-band capacity to support business plans primarily aimed at consumer broadband and enterprise services. These include Eutelsat, Viasat and Hughes Network Services. Although satellites designed for these services typically have limited geographic coverage to focus service delivery on specific geographic markets, they will have the ability to offer other types of service, including MSS. These operators may be able to use these satellite systems to offer regional or multi-regional MSS services in competition with our Global Xpress services.

#### *Terrestrial Competitors*

We generally provide services primarily in areas that terrestrial networks do not serve at all or for which they are not the most cost effective or technologically best suited solution.

However, gradual extensions of terrestrial wireline and wireless communications networks and technologies to areas not currently served by them may reduce demand for our existing services and other services that we expect to provide. We expect that future extensions of terrestrial networks will be driven by economic returns generated by extending wireline or wireless networks. We also expect that many underdeveloped areas will be too sparsely populated to generate returns on investment required to build terrestrial communications networks. Unlike our terrestrial competitors, we can provide communications services to these underdeveloped areas at no incremental cost.



## Employees

The following table sets out the average numbers of persons we employed for the years ended 31 December 2013, 2012 and 2011 by main category of activity:

Category of activity	2013			2012			2011		
	Inmarsat Global	Inmarsat Solutions	Total	Inmarsat Global	Inmarsat Solutions	Total	Inmarsat Global	Inmarsat Solutions	Total
Operations	231	536	767	218	528	746	203	455	658
Sales and marketing	126	197	323	109	209	318	96	188	284
Development and engineering	96	67	163	94	74	168	94	71	165
Administration	143	226	369	146	238	384	146	290	436
<b>Total</b>	<b>596</b>	<b>1,026</b>	<b>1,622</b>	<b>567</b>	<b>1,049</b>	<b>1,616</b>	<b>539</b>	<b>1,004</b>	<b>1,543</b>

In 2013, the total compensation paid to (or accrued with respect to) our employees was US\$244.8 million as compared with US\$233.0 million in 2012 and US\$206.5 million in 2011.

Our multicultural workforce comprises more than 45 nationalities, which is important to the operation of our global business.

We do not recognise an official labour union although some of our employees have individual membership in such unions.

We believe that relations with our employees are good. We have ensured that employees are fully informed and involved in the business through the use of various communications methods including briefing sessions and discussions with groups of employees, circulation of newsletters, company announcements, information releases and dissemination of information through normal management channels. Employees are actively encouraged to attend internal training courses to learn about our business, products and services. Staff forums and a works council are established in some of the operating businesses in accordance with local legislative requirements.

We have a positive attitude towards the development of all its employees and do not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs.

We give full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including making reasonable adjustments where appropriate or considering such staff members for alternative positions.

## Facilities

The table below sets out information regarding certain of our material facilities.

Facility	Principal Use	Owned/Leased	Area (ft <sup>2</sup> )	Lease expiration
99 City Road, London, United Kingdom	Head office	Leased	39,000	2029

The lease for 99 City Road is a 25 year operating lease which has an average annual rental over this period of approximately £6.0 million. The lease includes a tenant break clause at the end of 2024. Should we exercise this option we will incur a penalty of £6.0 million.

We believe that our current facilities are in good condition and adequate to meet the requirements of our present operations.

## Legal Proceedings

As at the date of this document, we are not engaged in or aware of any pending or threatened legal or arbitration proceedings that could have a material effect on our financial position.

