inmarsat

Inmarsat Group Limited reports Interim Results 2018

Financial Headlines:

$ in millions	First Half				Second Quarter			
	2018	**2017 (restated)[1]**	**Change ($m)**	**Change (%)**	**2018**	**2017 (restated)[1]**	**Change ($m)**	**Change (%)**
Group revenue	**717.2**	**683.7**	**33.5**	**4.9%**	**371.8**	**354.2**	**17.6**	**5.0%**
Maritime	282.1	279.8	2.3	0.8%	140.1	140.0	0.1	0.1%
Government	183.1	187.5	(4.4)	(2.3%)	104.8	101.5	3.3	3.3%
Aviation	115.5	83.2	32.3	38.8%	59.5	42.9	16.6	38.7%
Enterprise	64.0	62.3	1.7	2.7%	31.3	32.9	(1.6)	(4.9%)
Other[2]	72.5	70.9	1.6	2.3%	36.1	36.9	(0.8)	(2.2%)
EBITDA[3]	**372.9**	**380.4**	**(7.5)**	**(2.0%)**	**197.8**	**197.0**	**0.8**	**0.4%**
PAT	**84.4**	**116.7**	**(32.3)**	**(27.7%)**	**50.1**	**60.3**	**(10.2)**	**(16.9%)**

Operational highlights – H1 2018:

- **Group Revenue** increased $33.5m (4.9%) to $717.2m (up 5.2% to $652.4m, excluding Ligado), predominantly driven by growth in Aviation and reflecting our diversified and resilient growth portfolio:
  - **Maritime:** solid performance supported by continued strong market traction with Fleet Xpress
  - **Government** robust performance against tough comparator in Q2
  - **Aviation:** on-going double digit revenue growth:
    - In-flight Connectivity (“IFC”) revenues doubled, with over 1,400 aircraft under contract
    - Another excellent performance in our Core business, with revenues up 17.1%
  - **Enterprise:** performance mainly driven by satellite phone airtime and handset revenues
  - **GX:** airtime and related revenues doubled to $110.2m (H1 2017[1]: $53.0m), including $60.2m in Q2 2018, (Q2 2017[1]: $24.8m) with continued customer take-up in every target market
  - **Q2 Group Revenue:** increased 5.0% to $371.8m (up 5.5% to $339.1m, excluding Ligado)
  - **Group EBITDA**: decreased by $7.5m (2.0%) to $372.9m (down 2.7% to $308.1m, excluding Ligado), with growth in revenue and gross margin being offset by higher indirect costs, mainly due to adverse currency movements in Q1:
  - **Q2 EBITDA:** increased 0.4% to $197.8m (up 0.5% to $165.1m, excluding Ligado), driven by generally higher revenues and gross margin
- **Liquidity position further improved:** with new 5 year Revolving Credit Facility of $750m agreed, to replace existing $500m facility, on substantially the same terms

[1] 2017 figures have been restated throughout this announcement to reflect the adoption of IFRS15 and the reclassification of short term deposits. The Group has also adopted IFRS16 and IFRS9 as of 1 January 2018. Please refer to Appendix 2 of this announcement for further details.
[2] “Other” revenue comprises revenue contribution from Central Services and Ligado Networks.
[3] In response to the Guidelines on Alternative Performance Measures (‘APM’s) issued by the European Securities and Markets Authority (‘ESMA’), we have provided additional information on the APMs used by the Group including definitions and reconciliations to statutory measures within Appendix 1 of this document.

Forward looking Statements

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

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of the operations and financial condition of Inmarsat Group Ltd (the "Company" or, together with its subsidiaries, the "Group") for the six months ended 30 June 2018. This should be reviewed together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with the measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union. In addition to IFRS measures we use a number of Alternative Performance Measures (APMs) in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. These have been explained in Appendix 1.

Inmarsat has adopted IFRS15, 16 and 9 for the financial year ending 31 December 2018.

To reflect the adoption of IFRS15, both Q2 and Half Year 2017 figures have been restated throughout this document, primarily impacting Maritime and Aviation, where revenue and costs related to equipment installation are now spread over the length of the contract, rather than being recognised at the time of installation. Consequently, in Q2 2017, revenue is $1.8m lower, whilst EBITDA and capital expenditure are higher by $1.6m and $3.2m respectively. The half year has seen revenue decrease by $4.5m and EBITDA and capital expenditure increase by $3.2m and $7.4m respectively.

IFRS16, which Inmarsat has adopted a year early, requires vehicles and properties to be accounted for as "right-of-use assets". This had a $5.6m positive impact on EBITDA in H1 2018, including $3.3m positive impact in Q2, due to lease costs being reclassified as depreciation and interest.

The impact of the adoption of IFRS9 is not material in the period or in prior year reported numbers.

Short-term deposits which have an original maturity of more than 3 months have been re-classified from cash and cash equivalents to short-term deposits to align with the requirements of IAS7.

More information on the changes in accounting policy can be found in Appendix 2 of this document.

H1 2018 - Group Financial Highlights

($ in millions)	H1 2018	H1 2017 (restated)	Change	Q2 2018	Q2 2017 (restated)	Change
Revenue						
Satellite services	652.4	620.0	5.2%	339.1	321.5	5.5%
Ligado revenue	64.8	63.7	1.7%	32.7	32.7	–
Total revenue	**717.2**	**683.7**	**4.9%**	**371.8**	**354.2**	**5.0%**
Direct costs	(118.2)	(86.5)	(36.6%)	(65.2)	(50.4)	(29.4%)
Gross Margin	**599.0**	**597.2**	**0.3%**	**306.6**	**303.8**	**0.9%**
Indirect costs	(226.1)	(216.8)	(4.3%)	(108.8)	(106.8)	(1.9 %)
EBITDA	**372.9**	**380.4**	**(2.0%)**	**197.8**	**197.0**	**0.4%**
EBITDA margin %	52.0%	55.6%	–	53.2%	55.6%	–
Cash capital expenditure	**257.8**	**308.2**	**16.4%**	**116.5**	**173.8**	**33.0%**

Group revenue increased by $33.5m, including an increase of $17.6m in Q2, driven predominantly by growth in Aviation.

Direct costs increased by $31.7m, including an increase of $14.8m in Q2, reflecting the short term addition of low margin equipment revenue to help capture further market share, particularly in Aviation.

Indirect costs increased by $9.3m in the half, driven by $9.1m adverse impact of currency movements in Q1 which more than offset a currency benefit of c.$1m in Q2. Indirect costs benefited from successful cost containment in Central Services, following a headcount reduction exercise implemented in Q4 2017.

EBITDA consequently decreased by $7.5m and EBITDA margin decreased to 52.0%, from 55.6% in H1 2017. In Q2, EBITDA increased by $0.8m, with margins decreasing to 53.2%, from 55.6%, due to higher direct costs as discussed above

Cash capex was $50.4m lower, reflecting the launch and insurance costs of the I-5 F4 satellite in the prior year, but there continues to be a high level of investment in major infrastructure projects (in particular the GX-5 and I-6 satellites).

Maritime

($ in millions)	H1 2018	H1 2017 (restated)	H1 Change	Q2 2018	Q2 2017 (restated)	Q2 Change
Revenue	282.1	279.8	0.8%	140.1	140.0	0.1%
Direct Cost	(43.6)	(40.6)	(7.4%)	(21.5)	(21.3)	(0.9%)
Gross Margin	**238.5**	**239.2**	**(0.3%)**	**118.6**	**118.7**	**(0.1%)**
Indirect costs	(20.6)	(16.5)	(24.8%)	(10.3)	(8.1)	(27.2%)
EBITDA	**217.9**	**222.7**	**(2.2%)**	**108.3**	**110.6**	**(2.1%)**
EBITDA margin %	*77.2%*	*79.6%*	–	*77.3%*	*79.0%*	–
Cash capex	(24.0)	(23.3)	(3.0%)	(12.6)	(11.9)	(5.9%)
Business Unit Operating Cash Flow	**193.9**	**199.4**	**(2.8%)**	**95.7**	**98.7**	**(3.0%)**

	Revenue		Number of vessels		Average Revenue per User ("ARPU")	
	H1 2018	**H1 2017**	**H1 2018**	**H1 2017**	**H1 2018**	**H1 2017**
FleetBroadband	$163.2m	$175.7m	34,496	37,532	$770	$775
VSAT	$72.6m	$59.7m	5,364	3,563	$2,530	$3,040
Fleet One	$3.7m	$1.9m	3,672	1,937	$113	$92
Other products	$42.6m	$42.5m	–	–	–	–

	Revenue		Number of vessels		Average Revenue per User ("ARPU")	
	Q2 2018	**Q2 2017**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**
FleetBroadband	$79.9m	$87.9m	34,496	37,532	$762	$778
VSAT	$38.0m	$30.5m	5,364	3,563	$2,508	$2,981
Fleet One	$1.4m	$0.7m	3,672	1,937	$65	$87
Other products	$20.8m	$20.9m	–	–	–	–

Maritime delivered another stable revenue performance during the half, with revenues up slightly to $282.1m,
Maritime delivered another solid revenue performance during the half, with revenues up slightly to $282.1m, including $140.1m in Q2.

Revenue from our products in the maritime VSAT market, Xpress Link ("XL") and Fleet Xpress ("FX"), continued to grow strongly, increasing by 21.6%, including growth of 24.6% in Q2, with 5,364 installed VSAT vessels at the end of the period, (4,121 of which were FX vessels).

The VSAT installation order book was stable at c.670 vessels, and the fast pace of FX installations continued, driven by our internal installation capability and on-going engagement from our four strategic distribution partners, all of which are now running FX installation programmes.

The overall proportion of completely new customer installations remained high at over 26% during the half (excluding XL migrations).

Installed Fleet Xpress installations	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Opening balance of installed FX vessels	**3,259**	**2,614**	**1,963**	**1,337**	**808**	**335**
XpressLink migrations	185	185	241	200	198	237
FleetBroadband upgrades	513	324	208	267	213	145
New customers	164	136	202	159	118	91
Total installations & migrations	**862**	**645**	**651**	**626**	**529**	**473**
Closing balance of installed FX vessels	**4,121**	**3,259**	**2,614**	**1,963**	**1,337**	**808**

As expected, VSAT ARPU has continued to decline, by 16.8% in H1 2018 and 15.9% in Q2, a slightly lower run rate from Q1. At this stage of the launch and ramp-up of FX, we are primarily focused on market capture, speed of service take-up and installation rates. Accordingly, the recent ARPU decline reflected principally a sharp increase in the proportion of indirect FX sales, (with wholesalers increasing their share of aggregate VSAT installations from 7% (243 installed FX vessels) at the end of H1 2017 to 23% (1,296 installed FX vessels) at the end of H1 2018), special wholesale discounts for a small number of strategic partners in exchange for vessel installation commitments, and a high proportion of installations coming from entry level price plans and other short-term end user incentives.

FleetBroadband ("FB") vessels declined to 34,496 at the end of H1 2018, from 37,532 in H1 2017. Over 40% of the decline in FB vessel numbers related to the migration of vessels up to FX in the half, from around 30% in Q4 2017. The remainder, which were mainly lower ARPU vessels, were lost as a result of scrappage and increased competition. The rate of vessel losses for these reasons declined during the half to c.350 in Q2, from c.420 in Q1 and c. 520 in Q4 2017. New pricing strategies and increased functionality will be implemented over the next 12 months to address these FB vessel losses.

FB revenues consequently declined by 7.1% in H1, including 9.1% in Q2, with the migration to FX accounting for over half of this reduction in H1. FB ARPU remained stable during H1 at around $770 per month.

Fleet One doubled its revenue to $3.7m of airtime and equipment revenue in H1, including $1.4m in Q2 2018, with around 400 new Fleet One terminals installed during Q2. The product's customer base is now 3,672 vessels, up from 1,937 in H1 2017. Fleet One's average airtime ARPU increased in H1 to around $113, but fell in Q2 to around $65 per month due to lower usage related to seasonality, but is expected to normalise to around $100 per month in the coming quarters.

During the period, the International Maritime Organization's Maritime Safety Committee formally approved our Fleet Safety solution as a new service to support the Global Maritime Distress & Safety System ("GMDSS"). The GMDSS approval for Fleet Safety is immediate and not conditional on a number of stringent performance tests, unlike the conditional approval of Iridium's GMDSS solution, which is planned for introduction in 2020.

Fleet Safety represents an upgrade to our existing Inmarsat-C safety service, which is currently installed on over 160,000 vessels across the commercial maritime industry. The new service will be delivered over our existing I-4 satellites, as well as over our I-6 satellites. Ship owners and operators will be able to combine maritime safety and broadband data services in a single FB or Fleet One terminal.

Revenue from our mainly lower margin and legacy products was flat in the half, with the on-going decline in legacy product revenue being offset by a $6.8m increase in VSAT terminal sales in H1 2018 (including an increase of $3.0m in Q2). Terminal sales will remain a positive feature of our revenue mix over the next 12 to 18 months, helping to deliver new airtime revenues once installed. Excluding terminal sales, other legacy products declined by $6.5m, or 16.7%, to $32.4m in the half.

Direct costs increased by $3.0m in H1 2018, including an increase of $0.2m in Q2, mainly due to higher bad debt provisions, following temporarily slower customer collections resulting from the introduction of a new billing system. Leased capacity savings achieved from the migration of XL vessels to FX were broadly offset by the addition of low margin terminal sales during the period. These savings are expected to have an increasingly beneficial impact on direct costs, as the XL migration programme draws to a close by the end of 2019.

Indirect costs increased by $4.1m in H1 2018, including $2.2m in Q2, mainly as a result of increased marketing activity related to the Volvo Ocean Race, which has now finished.

As a result, EBITDA in H1 declined by $4.8m, with EBITDA margin decreasing to 77.2%, from 79.6% (in Q2, EBITDA fell by $2.3m, with EBITDA margin declining to 77.3%, from 79.0% in Q2 2017).

Maritime capex, which is all success-based capex supporting customer installations in FX and XL migrations, helping to deliver new airtime revenues once installed, was up slightly to $24.0m in the period, including $12.6m in Q2.

Government

($ in millions)	H1 2018	H1 2017 (restated)	H1 Change	Q2 2018	Q2 2017 (restated)	Q2 Change
Revenue	183.1	187.5	(2.3%)	104.8	101.5	3.3%
Direct costs	(32.6)	(27.2)	(19.9%)	(18.4)	(17.1)	(7.6%)
Gross Margin	**150.5**	**160.3**	**(6.1%)**	**86.4**	**84.4**	**2.4%**
Indirect costs	(21.3)	(22.5)	5.3%	(10.5)	(10.9)	3.7%
EBITDA	**129.2**	**137.8**	**(6.2%)**	**75.9**	**73.5**	**3.3%**
EBITDA margin %	*70.6%*	*73.5%*	–	*72.4%*	*72.4%*	–
Cash capex	(1.7)	(4.9)	65.3%	(0.3)	(1.8)	83.3%
Business Unit Operating Cash Flow	**127.5**	**132.9**	**(4.1%)**	**75.6**	**71.7**	**5.4%**

Government revenue declined by 2.3% to $183.1m in H1 2018, but increased by 3.3% to $104.8m in Q2.

This growth was driven by an outstanding performance from our US Government business, where revenue grew by 2.8% in the half, including 7.8% in Q2, against a very tough comparator. This was the result of the renewal of a contract on revised terms, as well as one-off airtime leasing revenues and equipment sales in Q2. The Boeing Take-or-Pay contract saw further progress, with underlying revenues continuing to increase and breakage declining, but the total contract continues to reduce to normalised levels.

Outside the US, revenues fell by 11.6% in the period, including 5.8% in Q2, mainly reflecting the previously highlighted end of exceptional higher margin operational revenue in Q3 2017.

Direct costs increased by $5.4m in H1 2018, including $1.3m in Q2, mainly due to the impact of the lower margin CSSC contract during the period, partially offset by higher margin revenues from the renewed contract and airtime leasing revenues outlined above. Indirect costs declined by $1.2m in the period, including $0.4m in Q2.

As a result of lower revenue and higher direct costs in the period, EBITDA declined by $8.6m and EBITDA margin fell to 70.6%. However, due to the increase in high margin revenue offsetting the lower margin revenue generated in Q2, EBITDA in that quarter was up by $2.4m to $75.9m, with EBITDA margin remaining flat at 72.4%.

As previously outlined, near-term future revenue growth in Government is expected to be modest, with contract wins continuing to be lumpy and irregular.

Aviation

Aviation delivered another excellent period of growth in H1 2018, with revenue up 38.8% to $115.5m, including up 38.7% to $59.5m in Q2, highlighting continued traction across our Core business and our on-going progress in delivering GX IFC services for our customers.

EBITDA increased by $9.5m to $59.9m in H1 2018, including an improvement of $1.2m in Q2, with EBITDA margin decreasing to 51.9% in the half (H1 2017: 60.6%), and to 44.2% in Q2 (Q2 2017: 58.5%).

Despite our investment in IFC, Aviation moved into a positive operating cash flow position during the period.

We continue to expect that, in the near term, Aviation EBITDA and cash flow margins will be impacted by our on-going efforts to build a strong market position in the rapidly growing and high potential IFC market. Over the years 2016 to 2021, we expect overall EBITDA margins in Aviation to fall from over 60% in 2016 to 53% in 2017 and then to around 40% in 2018, after which we expect that higher revenues, improved revenue mix and more stable indirect costs will start to deliver a return to 2016 margin levels.

Core / IFC – H1

($ in millions)	Core H1 2018	Core H1 2017 (restated)	IFC H1 2018	IFC H1 2017 (restated)
Revenue	74.3	63.6	41.2	19.6
Direct costs	(0.7)	(0.4)	(21.1)	(1.1)
Gross Margin	**73.6**	**63.2**	**20.1**	**18.5**
Indirect costs	(5.0)	(4.7)	(28.8)	(26.6)
EBITDA	**68.6**	**58.5**	**(8.7)**	**(8.1)**
EBITDA margin %	*92.3%*	*92.0%*	*n/a*	*n/a*
Cash capex	–	–	(28.9)	(85.4)
Business Unit Operating Cash Flow	**68.6**	**58.5**	**(37.6)**	**(93.5)**

Core / IFC – Q2

($ in millions)	Core Q2 2018	Core Q2 2017 (restated)	IFC Q2 2018	IFC Q2 2017 (restated)
Revenue	37.6	32.1	21.9	10.8
Direct costs	(0.3)	(0.2)	(13.6)	(0.4)
Gross Margin	**37.3**	**31.9**	**8.3**	**10.4**
Indirect costs	(2.8)	(2.6)	(16.5)	(14.6)
EBITDA	**34.5**	**29.3**	**(8.2)**	**(4.2)**
EBITDA margin %	*91.8%*	*91.2%*	*n/a*	*n/a*
Cash capex	–	–	(9.1)	(36.4)

Core Aviation business

Our Core Aviation business comprises SwiftBroadband and JetConneX for Business and General Aviation (“BGA”), Classic Aero and SwiftBroadband-Safety for Safety and Operational Services (“SOS”) and other legacy products. As in previous periods, revenue growth across these businesses was particularly strong, increasing by $10.8m, 16.8%, to $74.3m in the half, including an increase of $5.6m, 17.1%, to $37.6m in Q2.

By the end of Q2 2018, 290 aircraft were installed with JetConneX, our GX-based product for BGA, (from 67 at the end of Q2 2017). During the half, JetConneX grew airtime revenue by a factor of seven times to $8.3m (H1 2017: $1.1m), including $4.6m in Q2 (Q2 2017: $0.6m).

SwiftBroadband revenues grew $3.3m, 8.8%, in the period to $40.6m, including an increase of $1.4m, 7.4%, to $20.2m in Q2, driven by higher usage, with the number of installed aircraft remaining stable at around 4,000.

In SOS, Classic Aero delivered revenue growth of $2.3m, 11.9%, to $21.6m in the half, including an increase of $1.2m, 12.4%, to $10.9m in Q2, as a result of a change to the pricing structure, to reflect higher usage. The number of aircraft using the service remained stable at around 9,000.

Revenue in our other legacy products in our Core business decreased to $3.7m (H1 2017: $5.8m), including $1.9m in Q2, (Q2 2017: $2.9m), due to the end of a leasing contract, as previously highlighted, which will have a similar impact on H2 2018.

Direct costs in our Core business remained fairly immaterial at $0.7m in the half, including $0.3m in Q2, whilst indirect costs remained stable at $5.0m in H1 and $2.8m in Q2. EBITDA and Business Unit Operating Cash Flow for the Core Aviation business consequently both grew to $68.6m in H1 and to $34.5m in Q2.

IFC

IFC revenues, comprising our L-band-based IFC services for commercial aviation, and our GX Aviation services for IFC, more than doubled across the period, together growing by $21.6m, 110.2%, to $41.2m in the half, including $11.1m, 102.8%, in Q2 to $21.9m.

Our L-band-based IFC services delivered revenue growth of $4.7m, 26.3%, to $22.6m, including an increase of $0.8m, 7.9%, in Q2 to $10.9m, driven by increased usage.

We also generated $18.7m of GX-related revenue in the half, including $11.0m in Q2, (H1 2017: $1.6m, including $0.6m in Q2, restated for IFRS15) of which $1.4m was higher margin airtime revenue, generated for the first time. The remainder of this revenue was relatively low margin equipment sales, which is a precursor to further airtime revenue generation in the future.

We now have over 1,400 aircraft expected under signed contracts for our GX and EAN Aviation IFC services, including a number of new airline customers who signed airtime contracts or made GX hardware commitments so far in 2018, including Citilink, Kuwait Airways, Philippine Airlines and Emirates Airlines. We continue to advance our new business pipeline of around 3,000 aircraft and we are confident in the strength of our competitive position, with GX and the EAN, to continue to win new IFC business on attractive terms.

We now have 286 GX-installed aircraft across a number of customers (up from 245 at the end of Q1 2018). Several customers, including Qatar Airways and Air New Zealand, officially launched Inmarsat-supported GX IFC services during Q2, and we now have 48 aircraft commercially activated, albeit with very low take-up rates at this early stage of service delivery, generating airtime revenue.

Preparations continue for the service roll-out of the European Aviation Network ("EAN"). We continue to receive the outstanding regulatory authorisations and remain confident that claims raised by some of our competitors against national regulators will not delay our plans.

IFC direct costs increased to $21.1m in H1 2018 (H1 2017: $1.1m), including $13.6m in Q2 2018 (Q2 2017: $0.4m), due to additional short term GX equipment sales being added to the revenue mix. Indirect costs in IFC, related to investment in headcount and other overhead costs associated with the pursuit and delivery of the major growth opportunities in IFC, increased by $2.2m to $28.8m in H1 and by $1.9m to $16.5m in Q2.

Cash capex in IFC decreased to $28.9m in H1 2018, (H1 2017: $85.4), and to $9.1m in Q2 2018 (Q2 2017: $36.4m) mainly as a result of infrastructure investment in the S-band satellite in the prior year, ahead of its launch.

As a result of all of the factors outlined above, IFC EBITDA improved in the period, with the Business Unit Operating Cash Flow in IFC improving significantly, reducing the level of start-up investment by $55.9m to $37.6m for the half.

Enterprise

	H1			Q2		
($ in millions)	**2018**	**2017 (restated)**	**Change**	**2018**	**2017 (restated)**	**Change**
Revenue	64.0	62.3	2.7%	31.3	32.9	(4.9%)
Direct costs	(12.2)	(9.7)	(25.8%)	(6.2)	(6.9)	10.1%
Gross Margin	**51.8**	**52.6**	**(1.5%)**	**25.1**	**26.0**	**(3.5%)**
Indirect costs	(11.1)	(9.0)	(23.3%)	(6.0)	(4.5)	(33.3%)
EBITDA	**40.7**	**43.6**	**(6.7%)**	**19.1**	**21.5**	**(11.2%)**
EBITDA margin %	*63.6%*	*70.0%*	–	*61.0%*	*65.3%*	–
Cash capex	-	(0.1)	100.0%	-	(0.1)	100.0%
Business Unit Operating Cash Flow	**40.7**	**43.5**	**(6.4%)**	**19.1**	**21.4**	**(10.7%)**

Enterprise revenues increased by $1.7m, 2.7%, in H1 2018, mainly as a result of significant growth in satellite phone airtime and handset revenue in Q1. Revenues declined by $1.6m, 4.9%, in Q2 due to a decline in revenues from our Broadband Global Area Network ("BGAN") product and the continued downward trajectory of fixed-to-mobile revenues.

BGAN revenues were flat in the period, at $12.2m, but fell by $0.4m, 7.3%, to $5.1m in Q2 due to a minor SIM reclassification. Excluding this impact, BGAN delivered revenue growth of 4.1% in H1 and 12.7% in Q2, highlighting the strong underlying performance of this product line.

Satellite phone airtime and handset revenue increased by $8.4m, 68.3%, to $20.7m, including by $2.1m, 27.3%, in Q2 to $9.8m, due to several new partnerships for handset sales over the period.

Fixed-to-mobile revenues continued to decline, falling by $3.4m, 37.0% to $5.8m during the period, including by $1.6m, 38.1% to $2.6m in Q2, reflecting on-going decline of satellite-based voice products, driven by continued migration to Voice-over-IP.

Machine to Machine ("M2M") revenue increased by $1.0m, 11.2%, to $9.9m during the half, including by $0.5m, 11.1%, to $5.0m in Q2, driven by on-going demand for M2M in commercial applications and an increase in terminals to over 360,000.

Direct costs increased by $2.5m in the half, mainly reflecting the substantial satellite phone handset sales agreements in Q1, but declined by $0.7m in Q2, given a lower level of handset sales. Indirect costs increased by $2.1m in the period, including an increase of $1.5m in Q2, as a result of legal fees in the period.

Consequently, EBITDA was down by $2.9m in H1 2018, and down by $2.4m in Q2. EBITDA margin declined to 63.6% in the half and to 61.0% in Q2.

Central Services

($ in millions)	H1 2018	H1 2017 (restated)	H1 Change	Q2 2018	Q2 2017 (restated)	Q2 Change
Revenue						
Ligado Networks	64.8	63.7	1.7%	32.7	32.7	-
Other	7.7	7.2	6.9%	3.4	4.2	(19.0%)
Total Revenue	**72.5**	**70.9**	**2.3%**	**36.1**	**36.9**	**(2.2%)**
Direct costs	(8.0)	(7.5)	(6.7%)	(5.2)	(4.5)	(15.6%)
Gross Margin	**64.5**	**63.4**	**1.7%**	**30.9**	**32.4**	**(4.6%)**
Indirect costs	(139.3)	(137.5)	(1.3%)	(62.7)	(66.1)	5.1%
EBITDA	**(74.8)**	**(74.1)**	**(0.9%)**	**(31.8)**	**(33.7)**	**(5.6%)**
Cash capex	(203.2)	(194.5)	(4.5%)	(94.5)	(123.6)	(23.5%)
Business Unit Operating Cash Flow	**(278.0)**	**(268.6)**	**(3.5%)**	**(126.3)**	**(157.3)**	**19.7%**

Revenue from Ligado increased $1.1m during the half, but was flat in Q2, driven by the terms of our 2016 agreement.

Direct costs increased by $0.5m in H1 2018, and by $0.7m in Q2.

Indirect costs increased by $1.8m in H1 2018, but decreased by $3.4m in Q2, with costs contained as a result of the headcount reduction programme initiated in Q4 2017, a currency benefit of c.$1m and the impact of the implementation of IFRS16 which moved lease costs of $3.3m into depreciation.

As previously outlined, growth in central operational delivery costs in 2018 is expected to be in low single digits, in percentage terms.

Central Services capital expenditure in the H1 2018 increased by $8.7m, due to the timing of expenditure on our major infrastructure programmes, including in Q1 2018 the 5th GX satellite and the I-6 satellite infrastructure. This was partially offset by a reduction of $29.3m in capital expenditure in Q2 2018, due to the launch and insurance costs of I-5 F4 satellite in the prior year.

Reconciliation of EBITDA to profit after tax

($ in millions)	H1 2018	H1 2017 (restated)	H1 Change	Q2 2018	Q2 2017 (restated)	Q2 Change
EBITDA	**372.9**	**380.4**	**(2.0%)**	**197.8**	**197.0**	**0.4%**
Depreciation and amortisation	(232.5)	(194.1)	(19.8%)	(116.5)	(96.4)	(20.9%)
Other	0.2	(0.4)	150.0%	(0.3)	(0.8)	62.5%
Operating profit	**140.6**	**185.9**	**(24.4%)**	**81.0**	**99.8**	**(18.8%)**
Net financing costs	(40.6)	(44.6)	9.0%	(19.2)	(22.4)	(14.3%)
Taxation charge	(15.6)	(24.6)	36.6%	(11.7)	(17.1)	(31.6%)
Profit after tax	**84.4**	**116.7**	**(27.7%)**	**50.1**	**60.3**	**(16.9%)**

Operating profit

Operating profit decreased by $45.3m (including a decrease of $18.8m in Q2) to $140.6m. This is largely attributable to the I-5 F4 and S-Band satellites coming into commercial service in Q4 2017 which resulted in increased depreciation and amortisation of $38.4m in the first half ($20.1m for Q2).

Net financing cost

Net financing costs for the half decreased by $4.0m to $40.6m, including a decrease of $3.2m to $19.2m in Q2. This was driven mainly by the reduced intercompany interest payable.

Taxation

The tax charge for the half year was $15.6m, a decrease of $9m, compared with the same period of 2017. The lower tax charge in 2018 was largely driven by the reduced profit in 2018.

The effective tax rate for the half year was 15.6% (2017: 17.4%), reflecting the reduction in UK tax rate from 19.25% in 2017, to 19% in 2018.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event all such enquiries were to be settled as currently provided for, we estimate that the Group would incur a cash tax outflow of approximately $90m, excluding interest, in 2019. The enquiries remain ongoing at this time.

Profit after tax ("PAT")

PAT declined by $32.3m for the half (including a decrease of $10.2m in Q2), reflecting changes in EBITDA, depreciation, financing costs and taxation noted above.

Cash Flow[1]

($ in millions)	H1 2018	H1 2017 (restated)	Q2 2018	Q2 2017 (restated)
EBITDA	**372.9**	**380.4**	**197.8**	**197.0**
Non-cash items	(2.0)	9.6	(4.5)	2.0
Change in working capital	(53.0)	9.0	(17.8)	17.2
Cash generated from operations	**317.9**	**399.0**	**175.5**	**216.2**
Capital expenditure	(257.8)	(308.2)	(116.5)	(173.8)
Net interest paid	(54.1)	(49.6)	(38.0)	(28.3)
Tax paid	1.4	(16.6)	(0.2)	(2.9)
Free cash flow	**7.4**	**24.6**	**20.8**	**11.2**
Dividends paid to shareholders	(51.4)	(119.9)	(51.4)	(119.9)
Other movement including foreign exchange	1.5	(2.6)	0.8	(6.4)
Net cash flow	**(42.5)**	**(97.9)**	**(29.8)**	**(115.1)**
Increase/(decrease) to cash reclassified from short-term deposits	170.5	(20.0)	26.8	–
Decrease in cash from borrowings	(68.5)	(42.4)	(3.9)	3.9
Net increase/ (decrease) in cash and cash equivalents	**59.5**	**(160.3)**	**(6.9)**	**(111.2)**

Cash and cash equivalents				
At beginning of the period	142.9	259.2	209.3	210.1
Net increase/(decrease) in cash and cash equivalents	59.5	(160.3)	(6.9)	(111.2)
At end of the period (net of bank overdrafts)	**202.4**	**98.9**	**202.4**	**98.9**

Short term deposits				
At beginning of the period	342.0	395.0	198.3	415.0
Net (decrease)/increase in short term deposits	(170.5)	20.0	(26.8)	–
At end of the period	**171.5**	**415.0**	**171.5**	**415.0**

Opening net borrowings[2]	**1,963.3**	**1,711.5**	**1,978.5**	**2,333.8**
Net cash flow	42.5	97.9	29.8	115.1
Non-cash movements[3]	5.0	84.5	2.5	(555.0)
Closing net borrowings[2]	**2,010.8**	**1,893.9**	**2,010.8**	**1,893.9**

Free cash flow decreased in the half by $17.2m, with lower cash generated from operations of $81.1m offset by lower capital expenditure of $50.4m and lower tax of $18.0m. The 2nd quarter has seen an increase in free cash flow of $9.6m, driven by a decrease in capital expenditure of $57.3m which more than offset the $40.7m drop in cash generated from operations.

There was a further working capital outflow in Q2 of $17.8m taking the adverse movement over the prior year in the first half to $62.0m which was driven by both higher receivables and inventory at June 2018. The increase in receivables was largely due to a temporary slowdown in customer collections relating to the introduction of a new billing system and the higher inventory levels were driven by additional inventory being held to support new terminal installations in the Aviation business.

[1] Cash flow outlined in this table is non-statutory.
[2] Net borrowings includes total borrowings less cash and cash equivalents and short-term investments. Borrowings exclude accrued interest and any derivative liabilities.
[3] Non-cash movements relate to the amortisation of deferred financing costs.

Capital Expenditure

($ in millions)	H1 2018	H1 2017 (restated)	Q2 2018	Q2 2017 (restated)
Major infrastructure projects[1]	149.7	203.5	95.0	127.3
Success-based capex[2]	74.9	60.8	19.2	26.6
Other capex[3]	51.9	58.8	25.0	29.0
Cash flow timing[4]	(18.7)	(14.9)	(22.7)	(9.1)
Total cash capital expenditure	**257.8**	**308.2**	**116.5**	**173.8**

The decrease in capital expenditure on major infrastructure projects for both the half and Q2 was mainly due to the launch and insurance costs of the I-5 F4 satellite impacting the prior year periods. Success-based capex increased in H1, due to the higher levels of spend in Q1 relating to GX installations in Maritime and Aviation, but decreased in Q2 due to the timing of GX installations in Aviation. Other capex remained relatively stable during the period, with investment continuing in areas like IT and Cyber. Cash flow timing for the half and quarter was impacted by the timing of contractual payments on GX-5.

Group Liquidity and Capital Resources

At 30 June 2018, the Group had cash and cash equivalents of $202.4m, short term deposits of $171.4m and available but undrawn borrowing facilities of $500.5m under our Senior Revolving Credit Facility.

In July 2018, a new 5 year Senior Revolving Credit Facility of $750m was agreed, to replace existing $500m facility, on substantially the same terms, allowing the Group to drawdown against it to meet any short term operational liquidity needs, if required, through to 2023.

Principal Risks and Uncertainties

There have been no material changes in the principal risks and uncertainties from those described on pages 51 – 55 of the 2017 Inmarsat plc Annual Report and Accounts.

Related Party Transactions

There have been no material changes in the related party transactions described on page 151 of the of the 2017 Inmarsat plc Annual Report and Accounts.

Inmarsat Group Ltd
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce
Chief Executive Officer
2 August 2018

Tony Bates
Chief Financial Officer
2 August 2018

[1] "Major infrastructure projects" capex consists of satellite design, build and launch costs and ground network infrastructure costs.
[2] "Success-based capex" consists of capital equipment installed on ships, aircraft and other customer platforms.
[3] "Other capex" investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.
[4] Cash flow timing represents the difference between accrued capex and the actual cash flows

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the half year ended 30 June 2018 (unaudited)

	Half year ended 30 June		**Three months ended 30 June**	
($ in millions)	**2018**	**2017 (restated)** [1]	**2018**	**2017 (restated)** [1]
Revenues	**717.2**	**683.7**	**371.8**	**354.2**
Employee benefit costs	(147.3)	(136.1)	(72.5)	(68.1)
Network and satellite operations costs	(94.8)	(96.7)	(47.3)	(51.7)
Other operating costs	(122.1)	(94.4)	(64.1)	(49.7)
Own work capitalised	19.9	23.9	9.9	12.3
Total net operating costs	(344.3)	(303.3)	(174.0)	(157.2)
EBITDA	**372.9**	**380.4**	**197.8**	**197.0**
Depreciation and amortisation	(232.5)	(194.1)	(116.5)	(96.4)
Impairment loss		(1.8)		(1.4)
Gain / (Loss) on disposals of assets	(1.6)	-	(1.2)	-
Share of profit of associates	1.8	1.4	0.9	0.6
Operating profit	**140.6**	**185.9**	**81.0**	**99.8**
Financing income	4.4	4.3	2.4	2.0
Financing costs	(45.0)	(48.9)	(21.6)	(24.4)
Net financing costs	(40.6)	(44.6)	(19.2)	(22.4)
Profit before tax	**100.0**	**141.3**	**61.8**	**77.4**
Taxation charge	(15.6)	(24.6)	(11.7)	(17.1)
Profit for the period	**84.4**	**116.7**	**50.1**	**60.3**
Attributable to:				
Equity holders	**84.1**	**116.4**	**49.9**	**60.2**
Non-controlling interest[2]	**0.3**	**0.3**	**0.2**	**0.1**

[1] 2017 figures have been restated throughout this announcement to reflect the adoption of IFRS15 and the reclassification of short term deposits. The Group has also adopted IFRS16 and IFRS9 as of 1 January 2018. Please refer to Appendix 2 of this announcement for further details.
[2] Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2018 (unaudited)

	Half year ended 30 June		**Three months ended 30 June**	
($ in millions)	**2018**	**2017 (restated)**	**2018**	**2017 (restated)**
Profit for the period	**84.4**	**116.7**	**50.1**	**60.3**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	-	0.4	(0.3)	0.6
Net gain/(loss) on cash flow hedges	0.8	8.2	(4.4)	5.7
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	16.0	1.5	16.0	1.5
Tax credited directly to equity	(3.6)	(0.4)	(3.6)	(0.4)
Other comprehensive income for the period, net of tax	**13.2**	**9.7**	**7.7**	**7.4**
Total comprehensive loss for the period, net of tax	**97.6**	**126.4**	**57.8**	**67.7**
Attributable to:				
Equity holders	**97.3**	**126.1**	**57.6**	**67.6**
Non-controlling interest	**0.3**	**0.3**	**0.2**	**0.1**

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

($ in millions)	As at 30 June 2018 (unaudited)	As at 31 Dec 2017 (restated)	As at 30 June 2017 (restated)
Assets			
Non-current assets			
Property, plant and equipment	3,287.9	3,258.2	3,159.8
Intangible assets	779.1	788.9	762.2
Investments	17.3	16.2	14.7
Right of Use Assets	66.8	-	-
Other receivables	23.7	23.9	17.1
Deferred tax asset	31.0	35.4	37.0
Derivative financial instruments	-	0.3	-
	4,205.8	**4,122.9**	**3,990.8**
Current assets			
Cash and cash equivalents[1]	202.7	143.2	99.7
Short-term deposits[2]	171.5	342.0	415.0
Trade and other receivables	388.3	371.6	348.6
Inventories	46.5	33.9	31.5
Current tax assets	-	13.8	14.2
Derivative financial instruments	-	1.2	1.9
Restricted cash	2.4	2.3	2.3
	811.4	**908.0**	**913.2**
Total assets	**5,017.2**	**5,030.9**	**4,904.0**
Liabilities			
Current liabilities			
Borrowings	244.2	563.6	537.4
Trade and other payables	831.3	622.5	562.8
Provisions	7.5	16.2	1.2
Current tax liabilities	142.6	148.7	147.6
Derivative financial instruments	5.6	7.9	10.8
Lease obligations	12.2	-	-
	1,243.4	**1,358.9**	**1,259.8**
Non-current liabilities			
Borrowings	2,140.8	1,884.9	1,871.2
Other payables	19.0	25.0	27.2
Provisions	9.0	9.7	13.9
Deferred tax liabilities	236.6	236.2	217.4
Derivative financial instruments	1.5	2.1	7.3
Lease obligations	63.8	-	-
	2,470.7	**2,157.9**	**2,137.0**
Total liabilities	**3,714.1**	**3,516.8**	**3,396.8**
Net assets	**1,303.1**	**1,514.1**	**1,507.2**
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	428.6	423.8	411.2
Retained earnings	196.4	411.9	417.9
Equity attributable to shareholders	**1,302.8**	**1,513.5**	**1,506.9**
Non-controlling interest	**0.3**	**0.6**	**0.3**
Total equity	**1,303.1**	**1,514.1**	**1,507.2**

[1] Cash and cash on deposits with maturity at acquisition of less than 3 months.
[2] Short-term deposits are cash held on deposit with maturity at acquisition of between 3 and 12 months.

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2018

($ in millions)	Share capital	Share premium	Share option reserve	Cash flow hedge reserve	Other[1]	Retained earnings (restated)	NCI[2]	Total
Balance at 1 January 2017 (audited)	**0.4**	**677.4**	**92.7**	**(23.3)**	**327.5**	**485.6**	**0.6**	**1,560.9**
Share-based payments[3]	–	–	5.7	–	–	(0.2)	–	5.5
Dividend declared	–	–	–	–	–	(185.0)	(0.6)	(185.6)
Comprehensive Income:								
Profit for the year	–	–	–	–	–	116.4	0.3	116.7
OCI[4] – before tax	–	–	–	8.2	0.4	1.5	–	10.1
OCI[4] – tax	–	–	–	-	–	(0.4)	–	(0.4)
Balance at 30 June 2017 (unaudited)	**0.4**	**677.4**	**98.4**	**(15.1)**	**327.9**	**417.9**	**0.3**	**1,507.2**
Balance at 1 January 2018 (audited)	**0.4**	**677.4**	**104.0**	**(7.7)**	**327.5**	**411.9**	**0.6**	**1,514.1**
Share-based payments[2]	-	-	4.0	-	-	-	-	4.0
Dividend declared	-	-	-	-	-	(312.0)	(0.6)	(312.6)
Comprehensive Income:								
Profit for the year	-	-	-	-	-	84.1	0.3	84.4
OCI[4] – before tax	-	-	-	0.8	-	16.0	-	16.8
OCI[4] – tax	-	-	-	-	-	(3.6)	-	(3.6)
Balance at 30 June 2018 (unaudited)	**0.4**	**677.4**	**108.0**	**(6.9)**	**327.5**	**196.4**	**0.3**	**1,303.1**

[1] The main components of the 'other' reserve are capital contribution reserve of $327.9m (2017: $327.9m), the currency reserve debit of $1.0m (2017: $0.7m) and the revaluation reserve of $0.6m (2017: $0.6m).
[2] Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.
[3] Represents the fair value of share option awards recognised in the period.
[4] OCI refers to Other Comprehensive Income.

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the half year ended 30 June 2018 (unaudited)

($ in millions)	Half year ended 30 June 2018	Half year ended 30 June 2017 (restated)	Three months ended 30 June 2018	Three months ended 30 June 2017 (restated)
Cash flow from operating activities				
Cash generated from operations	317.9	399.0	175.5	216.2
Interest received	2.7	1.5	2.1	0.9
Tax paid	1.4	(16.6)	(0.2)	(2.9)
Net cash inflow from operating activities	**322.0**	**383.9**	**177.4**	**214.2**
Cash flow from investing activities				
Purchase of property, plant and equipment	(162.3)	(275.6)	(57.2)	(158.8)
Additions to intangible assets	(75.5)	(8.6)	(50.3)	(2.6)
Own work capitalised	(20.0)	(24.0)	(9.0)	(12.4)
Short-term cash deposits >3 months	170.5	(20.0)	26.8	-
Investment in financial asset	-	(1.1)	-	(1.1)
Net cash used in investing activities	**(87.3)**	**(329.3)**	**(89.7)**	**(174.9)**
Cash flow from financing activities				
Dividends paid to shareholders	(51.4)	(119.9)	(51.4)	(119.9)
Repayment of borrowings	(61.1)	(40.4)	-	-
Interest paid	(56.8)	(51.1)	(40.1)	(29.2)
Arrangement costs of financing	(0.6)	(1.1)	-	-
Cash payments for the principal portion of the lease obligations	(6.9)	-	(3.9)	-
Other financing activities	(0.8)	(0.9)	(0.4)	(1.2)
Net cash used in financing activities	**(177.6)**	**(213.4)**	**(95.8)**	**(150.3)**
Foreign exchange adjustment	2.4	(1.5)	1.2	(0.2)
Net decrease in cash and cash equivalents	**59.5**	**(160.3)**	**(6.9)**	**(111.2)**
Cash and cash equivalents				
At beginning of the period	142.9	259.2	209.3	210.1
Net increase/(decrease) in cash and cash equivalents	59.5	(160.3)	(6.9)	(111.2)
At end of the period (net of bank overdrafts)	**202.4**	**98.9**	**202.4**	**98.9**
Comprising:				
Cash at bank and in hand	99.4	70.9	99.4	70.9
Short-term deposits with original maturity of less than three months	103.3	28.8	103.3	28.8
Cash and cash equivalents	**202.7**	**99.7**	**202.7**	**99.7**
Bank overdrafts	(0.3)	(0.8)	(0.3)	(0.8)
Net cash and cash equivalents at end of period	**202.4**	**98.9**	**202.4**	**98.9**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

1. General information

Inmarsat Group Limited ('the Company' or, together with its subsidiaries, 'the Group') is a company incorporated in the United Kingdom and registered in England.

2. Principal accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the half year 30 June 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. They were approved by the Board of Directors on 2 August 2018.

The financial information presented in this release does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2017 were approved by the Board of Directors on 9 March 2018. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Going Concern

The Group has a robust and resilient business model, and is expected to generate positive free cash flow over the medium term and is compliant with all banking covenants. Because of this, the Directors believe that the Company and the Group are well placed to manage their business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat Group Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of accounting

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

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

In the current period the Group has adopted IFRS15, IFRS16, IFRS9 and IAS7. The impact of these changes in accounting policies has been discussed in Appendix 2 of this announcement. Other than those discussed within Appendix 2, the accounting policies used are consistent with the 2017 financial statements.

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker to allocate resources and assess the performance of the Group. The Group's operating segments are aligned to five market-facing business units, being:

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

3. Segment information (continued)

These five business units are supported by 'Central Services' which include satellite operations and backbone infrastructure, corporate administrative costs, and any income that is not directly attributable to a business unit such as Ligado Networks. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS8. Therefore, the Group's reportable segments are Maritime, Government, Aviation, Enterprise and Central Services. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results are assessed by the Chief Operating Decision Maker at the EBITDA level without the allocation of central costs, depreciation, net financing costs and taxation.

	Half year ended 30 June		**Three months ended 30 June**	
($ in millions)	**2018**	**2017 (restated)**	**2018**	**2017 (restated)**
Revenues				
Maritime	282.1	279.8	140.1	140.0
Government	183.1	187.5	104.8	101.5
Aviation	115.5	83.2	59.5	42.9
Enterprise	64.0	62.3	31.3	32.9
Central Services[1]	72.5	70.9	36.1	36.9
Total revenues	**717.2**	**683.7**	**371.8**	**354.2**
EBITDA				
Maritime	217.9	222.7	108.3	110.6
Government	129.2	137.8	75.9	73.5
Aviation	59.9	50.4	26.3	25.1
Enterprise	40.7	43.6	19.1	21.5
Central Services[1]	(74.8)	(74.1)	(31.8)	(33.7)
Total EBITDA	**372.9**	**380.4**	**197.8**	**197.0**
Depreciation and amortisation	(232.5)	(194.1)	(116.5)	(96.4)
Other	0.2	(0.4)	(0.3)	(0.8)
Operating profit	**140.6**	**185.9**	**81.0**	**99.8**
Net financing costs	(40.6)	(44.6)	(19.2)	(22.4)
Profit before tax	**100.0**	**141.3**	**61.8**	**77.4**
Taxation charge	(15.6)	(24.6)	(11.7)	(17.1)
Profit for the period	**84.4**	**116.7**	**50.1**	**60.3**
Cash capital expenditure				
Maritime	24.0	23.3	12.6	11.9
Government	1.7	4.9	0.3	1.8
Aviation	28.9	85.4	9.1	36.4
Enterprise	-	0.1	-	0.1
Central Services	203.2	194.5	94.5	123.6
Total cash capital expenditure	**257.8**	**308.2**	**116.5**	**173.8**
Financing costs capitalised in the cost of qualifying assets	17.6	19.2	10.5	8.9
Cash flow timing	18.7	14.9	22.3	9.1
Total capital expenditure	**294.1**	**342.3**	**149.3**	**191.8**

[1] Central Services includes revenue and EBITDA from Ligado.

4. Net financing costs

($ in millions)	Half year ended 30 June 2018	Half year ended 30 June 2017 (restated)	Three months ended 30 June 2018	Three months ended 30 June 2017 (restated)
Bank interest receivable and other interest	(4.4)	(4.3)	(2.4)	(2.0)
Total financing income	**(4.4)**	**(4.3)**	**(2.4)**	**(2.0)**
Interest on Senior Notes and credit facilities	46.4	47.2	23.0	23.5
Amortisation of debt issue costs	5.5	6.0	2.8	2.2
Amortisation of discount on Senior Notes due 2022	0.5	0.5	0.2	0.2
Amortisation of discount on deferred satellite liabilities	0.1	0.3	-	0.2
Net interest on the net pension asset and post-employment liability	-	1.4	-	0.7
Other interest	1.1	2.0	1.8	1.2
Intercompany interest payable	9.0	10.7	4.3	5.3
	62.6	**68.1**	**32.1**	**33.3**
Less: Amounts capitalised in the cost of qualifying assets	(17.6)	(19.2)	(10.5)	(8.9)
Net financing costs	**40.6**	**44.6**	**19.2**	**22.4**

5. Net Borrowings

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

($ in millions)	At 30 June 2018 Amount	At 30 June 2018 Deferred finance costs	At 30 June 2018 Net balance	At 31 December 2017 Amount	At 31 December 2017 Deferred finance costs	At 31 December 2017 Net balance
Current:						
Bank overdrafts	0.3	-	0.3	0.3	-	0.3
Deferred satellite payments	2.4	-	2.4	3.1	-	3.1
Ex-Im Bank Facilities	61.1	-	61.1	122.2	-	122.2
Intercompany loan	180.4		180.4	438.0	-	438.0
Total current borrowings	**244.2**	**-**	**244.2**	**563.6**	**-**	**563.6**
Non-current:						
Deferred satellite payments	4.7	-	4.7	5.6	-	5.6
Senior Notes due 2022	1,000.0	(4.5)	995.5	1,000.0	(5.1)	994.9
– Net issuance discount	(4.0)	-	(4.0)	(4.5)	-	(4.5)
Senior Notes due 2024	400.0	(4.5)	395.5	400.0	(4.9)	395.1
Ex-Im Bank Facilities	508.7	(10.7)	498.0	508.7	(14.9)	493.8
Intercompany loan	251.1	-	251.1	-	-	-
Total non-current borrowings	**2,160.5**	**(19.7)**	**2,140.8**	**1,909.8**	**(24.9)**	**1,884.9**
Total borrowings	**2,404.7**	**(19.7)**	**2,385.0**	**2,473.4**	**(24.9)**	**2,448.5**
Cash and cash equivalents	(202.7)	-	(202.7)	(143.2)	-	(143.2)
Short-term deposits	(171.5)	-	(171.5)	(342.0)	-	(342.0)
Net borrowings	**2,030.5**	**(19.7)**	**2,010.8**	**1,988.2**	**(24.9)**	**1,963.3**

For further details of the Group's debt structure please refer to note 19 of the 2017 Annual Report.

6. Fair value of financial instruments

The Group's derivative financial instruments consist of forward foreign currency contracts which are primarily designated as cash flow hedges.

The Group generally does not hedge foreign currency transactions. Where there is a material contract with a foreign currency exposure, a specific hedge to match the specific risk will be evaluated. At present the Group only hedges certain foreign currency milestone payments to Airbus for the construction of the I-6 satellites.

The fair values at the Balance Sheet date were:

($ in millions)	At 30 June 2018	At 31 December 2017
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	-	1.5
Forward foreign currency contracts – undesignated cash flow hedges	-	-
Total derivative financial assets	**-**	**1.5**
Financial liabilities:		
Forward foreign currency contracts– designated cash flow hedges	(7.1)	(9.9)
Forward foreign currency contracts – undesignated cash flow hedges	-	(0.1)
Total derivative financial liabilities	**(7.1)**	**(10.0)**
Net derivative financial liability	**(7.1)**	**(8.5)**

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

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

Except as detailed in the following table, the Directors consider that the carrying value of non-derivative financial assets and liabilities approximately equal to their fair values:

	At 30 June 2018		At 31 December 2017	
($ in millions)	Carrying Value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	983.9	1,000.0	1,000.8
Senior Notes due 2024	400.0	403.2	400.0	408.1
Ex-Im Bank Facilities	569.8	570.1	630.9	639.7

7. Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group’s financial position. There have been no material changes to the Group’s contingent liabilities from those reported in the financial statements for the year ended 31 December 2017.

8. Events after the balance sheet date

The renegotiation of the Senior Credit Facility discussed on page 12 is considered material non adjusting post balance sheet event as per IAS10. There have been no other material events since the balance sheet date.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge that:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting"

(b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule ('DTR') 4.2.7R, being an indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R, being the disclosure of related parties' transactions and changes therein.

The Directors of Inmarsat Group Limited are listed on our website at www.inmarsat.com.

By order of the Board,

Rupert Pearce	Tony Bates
Chief Executive Officer	Chief Financial Officer
2 August 2018	2 August 2018

INDEPENDENT REVIEW REPORT TO INMARSAT GROUP LIMITED

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, related notes 1 to 8 and appendices 1 and 2. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, UK

2 August 2018

APPENDIX 1: ALTERNATIVE PERFORMANCE MEASURES ("APMs")

The Directors use APMs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and the credit rating agencies. Given that APMs are not defined by International Financial Reporting Standards they may not be directly comparable with other companies who use similar measures. APMs used in these financial statements are:

APM	Description and Reconciliation
1. EBITDA	EBITDA is defined as profit for the year before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates. EBITDA is a commonly used industry measure which helps investors to understand the contribution made by each of our business units. It reflects how the effect of growing revenues and cost management deliver value for our shareholders. This has been reconciled to both operating profit and profit after tax on page 10.
2. Cash Capex	Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. Cash capex indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business. This has been reconciled to total capital expenditure within Note 3.
3. Free Cash Flow	Free Cash Flow represents how much cash is available to pay back borrowings, distribute to investors or invest in the business in future periods. This has been reconciled to the net increase or decrease in cash and cash equivalents on page 11.
4. Business Unit Operating Cash Flow	This represents the cash generated by a business unit after considering capital expenditure. It is calculated by taking EBITDA less cash capex. Both EBITDA and Cash Capex have been defined above and reconciled.

APPENDIX 2: ACCOUNTING POLICY CHANGES

IFRS15 'Revenue from contracts with customers'

The Group has adopted IFRS15 on 1 January 2018 using the fully retrospective method. Two revenue streams were identified as areas requiring Group policy change to align with IFRS15. These are revenues from the Ligado contract and installation revenues.

The impact due to these changes is set out below:

		Half year ended 30 June 2017			Three months ended 30 June 2017	
($ in millions)	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
Revenues	**688.2**	**(4.5)**	**683.7**	**356.0**	**(1.8)**	**354.2**
Other operating costs	(102.1)	7.7	(94.4)	(53.1)	3.4	(49.7)
EBITDA	**377.2**	**3.2**	**380.4**	**195.4**	**1.6**	**197.0**
Depreciation and amortisation	(191.9)	(2.2)	(194.1)	(95.4)	(1.0)	(96.4)
Operating profit	**184.9**	**1.0**	**185.9**	**99.2**	**0.6**	**99.8**
Financing income	3.7	0.6	4.3	1.7	0.3	2.0
Profit before tax	**139.7**	**1.6**	**141.3**	**76.5**	**0.9**	**77.4**
Tax	(24.2)	(0.4)	**(24.6)**	(16.9)	(0.2)	**(17.1)**
Profit after tax	**115.5**	**1.2**	**116.7**	**59.6**	**0.7**	**60.3**
Total comprehensive income	**125.2**	**1.2**	**126.4**	**67.0**	**0.7**	**67.7**

Within the income statement, the main impact of IFRS 15 is on the treatment of installation revenue which was previously recognised in full on completion of the work. Under IFRS 15 installation revenue is in most instances added to the transaction price and spread over the contract period. Similarly installation costs, which were previously expensed on installation, are now capitalised and depreciated over the contract period. These changes flow through to the balance sheet leading to an increases in property, plant and equipment due to the capitalisation of installation costs and an increase in deferred income, reported within trade and other payables, reflecting the corresponding delay in the recognition of installation revenue.

		As at 31 December 2017			As at 30 June 2017	
($ in millions)	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
Non-current assets						
Property, plant and equipment	3,239.3	18.9	3,258.2	3,145.9	13.9	3,159.8
Deferred income tax asset	35.6	(0.2)	35.4	37.0	-	37.0
Current assets						
Trade and other receivables	346.6	25.0	371.6	330.6	18.0	348.6
Total assets	**4,987.2**	**43.7**	**5,030.9**	**4,872.1**	**31.9**	**4,904.0**
Current liabilities						
Trade and other payables	572.7	49.8	622.5	522.8	40.0	562.8
Non-current liabilities						
Deferred income tax liabilities	235.1	1.1	236.2	217.0	0.4	217.4
Total liabilities	**3,465.9**	**50.9**	**3,516.8**	**3,356.4**	**40.4**	**3,396.8**
Net assets (Equity)	**1,521.3**	**(7.2)**	**1,514.1**	**1,515.7**	**(8.5)**	**1,507.2**

The Ligado impact is largely limited to the balance sheet with payments which were contractually deferred and were previously offset against deferred revenue now being recognised as receivables leading to an increase of $18m in both current assets and current liabilities.

The overall impact of the accounting policy change is a decrease in net assets and retained income of $8.5m as at the 30 June 2017.

($ in millions)[1]	Half year ended 30 June 2017 Reported	IFRS 15	Restated	Three months ended 30 June 2017 Reported	IFRS 15	Restated
Cash generated from operations	391.0	7.4	398.4	207.0	3.2	210.2
Net cash inflow from operating activities	**375.9**	**7.4**	**383.3**	**205.0**	**3.2**	**208.2**
Purchase of property, plant and equipment	(268.2)	(7.4)	(275.6)	(155.6)	(3.2)	(158.8)
Net cash used in investing activities	**(22.7)**	**(7.4)**	**(30.1)**	**(42.5)**	**(3.2)**	**(45.7)**
Net (decrease)/increase in cash and cash equivalents	**138.3**	**-**	**138.3**	**12.0**	**-**	**12.0**

In the cash flow statement the impact of the accounting policy change is limited to the reclassification of installation costs from cash generated from operations into investing activities. The overall movement in cash remains unchanged.

IFRS16 'Leases'

IFRS16 has been adopted by the Group on 1 January 2018 using the modified retrospective approach which allows for the recognition of the lease liability and asset as at 1 January 2018 with no restatement of prior period financial statements.

The main impact is around property leases where the Group is the lessee.

($ in millions)	Balance Sheet as at 1 January 2018 Reported	IFRS16	Post IFRS16
Non-current assets			
Right of use asset	-	75.7	75.7
Total assets	**4,987.2**	**75.7**	**5,062.9**
Current liabilities			
Trade and other payables	572.7	(11.5)	561.2
Obligations under finance leases	-	13.1	13.1
Non-current liabilities			
Obligations under finance leases	-	74.1	74.1
Total liabilities	**3,465.9**	**75.7**	**3,541.6**
Net assets (Equity)	**1,521.3**	**-**	**1,521.3**

A lease liability of $87.2m has been calculated using the present value of the unpaid lease payments over the lease term specific to each lease, using the incremental borrowing rate as the discount rate. The liability has been separated between a current ($13.1m) and a non-current liability ($74.1m). A right of use asset of $75.7m has been created based on the lease liability, adjusted by $11.5m of accruals related to the phasing of lease payments.

There was an EBITDA benefit of $5.7m in the quarter from lease-related costs being accounted for as depreciation and interest rather than indirect costs. Overall PBT was positively impacted by $6.0m mainly due to the forex gain of $3m.

IFRS9 'Financial Instruments'

IFRS9 has been adopted in January 2018. There has been no material impact on Q1 or prior year reported numbers.

[1] The restated numbers in the table above have only been adjusted for the IFRS15 reclassification. These may differ from the actual restated numbers reported due to other restatements which need to be considered in aggregate.

IAS7 Reclassification of short term deposits

In Q4 2017, the Group changed the basis for recognising short term deposits with a maturity less than 3 months to more accurately reflect the requirements of IAS7. Previously short term deposits with less than 3 months remaining until maturity at the reporting date were classified as cash and cash equivalents. This has been changed so that only those short-term deposits that have a 3 month maturity at their acquisition date are classified as cash and cash equivalents.

As a result, the comparative financial numbers for the year to Q2 2017 have been restated and short term deposits have increased by $298.6m to $415.0m and cash & cash equivalents have decreased by $298.6m to $101.4m. The overall impact on current assets is zero. The corresponding impact on the cash flow statement can be seen in the table below:

	Half year ended 30 June 2017			**Three months ended 30 June 2017**		
($ in millions) [1]	**Reported**	**Adj.**	**Restated**	**Reported**	**Adj.**	**Restated**
Short-term cash deposits >3 months	116.4	(136.4)	(20.0)	116.4	(116.4)	-
Net cash used in investing activities	**(22.7)**	(136.4)	**(113.7)**	**(42.5)**	(116.4)	**(158.9)**
Net (decrease)/increase in cash and cash equivalents	**138.3**	(136.4)	**1.9**	**12.0**	(116.4)	**(104.4)**

[1] The restated numbers in the table above have only been adjusted for the IAS7 reclassification. These may differ from the actual restated numbers reported due to other restatements which need to be considered in aggregate.