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Inmarsat plc reports Third Quarter Results 2018

Diversified growth portfolio continues to drive improved results - on track to deliver growth in Revenue, EBITDA and Free Cash Flow for the Full Year

London, UK: 8 November 2018. Inmarsat plc (LSE: ISAT.L), ("Inmarsat", the "Group"), the world leader in global mobile satellite communications, today published the following unaudited information for the third quarter, and nine months, ended 30 September 2018.

Financial Headlines:

$ in millions	Third Quarter ended 30 September				Nine months ended 30 September			
	2018	2017 (restated)[1]	Change	Change (%)	2018	2017 (restated)[1]	Change	Change (%)
Group revenue	**369.3**	**356.2**	**13.1**	**3.7%**	**1,086.5**	**1,039.9**	**46.6**	**4.5%**
Maritime	135.0	143.1	(8.1)	(5.7%)	417.1	422.9	(5.8)	(1.4%)
Government	95.2	88.4	6.8	7.7%	278.3	275.9	2.4	0.9%
Aviation	68.2	50.9	17.3	34.0%	183.7	134.1	49.6	37.0%
Enterprise	34.6	38.2	(3.6)	(9.4%)	98.6	100.5	(1.9)	(1.9%)
Other[2]	36.3	35.6	0.7	2.0%	108.8	106.5	2.3	2.2%
EBITDA[3]	**206.5**	**193.3**	**13.2**	**6.8%**	**579.5**	**573.0**	**6.5**	**1.1%**
PAT	**227.7**	**112.7**	**115.0**	**102.0%**	**95.9**	**151.5**	**(55.6)**	**(36.7%)**
Adjusted PAT[3,4]	**46.5**	**56.3**	**(9.8)**	**(17.4%)**	**122.0**	**167.3**	**(45.3)**	**(27.1%)**

Q3 2018 operational highlights:

- **Group Revenue** (ex Ligado) increased by $12.6m, or 3.9%, to $336.4m, continuing to reflect the combined strength of the Group's diverse portfolio and the delivery of further strategic proof points
  - **Maritime:**
    - Strong revenue and market share growth through Fleet Xpress ("FX") in fast-growing, high value VSAT segment
    - FleetBroadband ("FB") revenues declined, reflecting customer migration to FX and increased VSAT competition
  - **Government:**
    - Strong revenue growth, particularly from our non-US government business
  - **Aviation:**
    - Strategic alliance with Panasonic to strengthen our drive for future global market leadership in IFC
    - Double digit revenue and EBITDA growth, with an improved margin outlook for FY 2018
  - **Enterprise:**
    - Best quarter so far this year, against a tough, event-driven, comparative
- **Group EBITDA** (ex Ligado) increased by $12.7m, or 7.9%, to $173.6m reflecting higher revenues, particularly from Aviation, and lower costs
- **Updated 2018 guidance** Revenue and EBITDA for FY 2018 (ex Ligado) are expected to be at least in line with current market consensus (Revenue: $1,325m, EBITDA: $610m)
- **Medium term guidance** for the Group unchanged

[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 document for further details.

[2] "Other" revenue comprises revenue contribution from Central Services and Ligado Networks. See page 10 for more details.

[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.

[4] Adjusted PAT is defined as Profit after Tax excluding the non-cash impact of the unrealised movement in the fair value of the conversion liability component of the 2023 convertible bond and the realised movement in the loss on redemption of the 2017 convertible bonds in 2016. This is an APM.

Rupert Pearce, Chief Executive Officer, commented on the results:

"Inmarsat's improved results continue to reflect the overall strength of our diverse portfolio, which provides balance, operational synergy and protection against individual market cycles.

"In Maritime, we continue to build a strong market position in the fast-growing, key market segment of the future, VSAT, through Fleet Xpress, which has now established itself as the leading VSAT service for the international maritime market. In the mid-market, the pace of migration to VSAT continues to accelerate and we must continue to work hard to ensure that as many of our FB customers as possible are migrated to FX in the coming years. Both government businesses performed well, reflecting our global leadership position in this sector and highly diversified product portfolio. In Aviation, the major news during the quarter was our strategic alliance with Panasonic, which we expect will greatly accelerate our drive to establish a sustainable global market leadership position in IFC. In addition, we again reported double-digit revenue growth in both our IFC and core businesses in Aviation. Enterprise continued to perform well in its legacy product base, against a tough comparator, while making good progress in establishing strong foundations for future high growth, particularly in the area of satellite-led Industrial IoT".

"Inmarsat remains at the forefront of our chosen markets, leveraging the strength of our established market position, continuing to deliver an exciting technology roadmap and taking a highly disciplined approach to costs and capital expenditure. As a result, the Group remains well placed to continue delivering medium-term growth in revenue, EBITDA, and free cash flow."

Medium term guidance

The Board remains confident about the future prospects for the Group, with Inmarsat's unchanged medium term financial guidance (ex Ligado) being as follows:

- A target of mid-single digit percentage revenue growth on average over the next five years, with EBITDA and free cash flow generation improving steadily*;
- Annual GX revenues at a run rate of $500m by the end of 2020;
- Capex of $500m to $600m per annum for 2018 to 2020. Capex is expected to meaningfully moderate after 2020 reflecting completion of the I-6 satellite programme and the impact of new technologies; and
- Net Debt: EBITDA to normally remain below 3.5x.

The Group manages a diverse growth portfolio of businesses and products that are, in aggregate, expected to deliver the guidance above, with the portfolio mix expected to continue to evolve as individual markets fluctuate over the medium term.

We continue to believe that the "focused diversity" of our business, with a small but diverse set of core end markets that offer scale and growth potential, and where we lead with sustainable differentiation, will remain a key strength for Inmarsat going forward.

Results conference call

Inmarsat management will discuss the third quarter results in a conference call on Thursday 8 November at 09.00am UK time. The call can be accessed by dialling +44 (0) 330 336 9127 (from the UK and Europe) or +1 323-794-2093 (from the US), with a passcode of 1756307 and is also accessible via this link: https://edge.media-server.com/m6/p/x5vbd2a6.

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* Excluding any impact of ongoing exceptional tax matter discussed on page 11

Forward looking Statements

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

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of the operations and financial condition of Inmarsat plc (the "Company" or, together with its subsidiaries, the "Group") for the period ended 30 September 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union. Inmarsat has adopted IFRS15, 16 and 9 for the financial year ending 31 December 2018, (with 2017 numbers being restated to reflect the adoption of IFRS15). Additionally a reclassification of short-term deposits has been made to better reflect the requirements of IAS7.

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. More detail on IFRS and APMs can be found in the Appendices of this report.

Introduction

Overall, Inmarsat produced another improved performance in the third quarter, as we continued to grow revenues, establish new strategic relationships, build new capabilities and deliver our technology road map whilst tightly managing our costs and capital expenditure.

Group Financial Highlights

($ in millions)	Third Quarter ended 30 September			Nine months ended 30 September		
	2018	**2017 (restated)**	**Change**	**2018**	**2017 (restated)**	**Change**
Revenue						
Satellite services	336.4	323.8	3.9%	988.8	943.8	4.8%
Ligado revenue	32.9	32.4	1.5%	97.7	96.1	1.7%
Total revenue	**369.3**	**356.2**	**3.7%**	**1,086.5**	**1,039.9**	**4.5%**
Direct costs	(61.4)	(47.2)	(30.1%)	(179.6)	(133.7)	(34.3%)
Gross Margin	**307.9**	**309.0**	**(0.4%)**	**906.9**	**906.2**	**0.1%**
Indirect costs	(101.4)	(115.7)	12.4%	(327.4)	(333.2)	1.7%
EBITDA	**206.5**	**193.3**	**6.8%**	**579.5**	**573.0**	**1.1%**
EBITDA margin %	55.9%	54.3%		53.3%	55.1%	
Cash capex	**157.5**	**101.0**	**(55.9%)**	**415.3**	**409.2**	**(1.5%)**

Group revenue in Q3 2018 increased by $13.1m, driven mainly by growth in Aviation. Ligado revenue was little changed at $32.9m (2017: $32.4m). GX-generated airtime and related revenues were $171.9m for the year-to-date (YTD 2017: $102.1m), including $61.7m in Q3 2018, (Q3 2017: $42.3m).

Direct costs increased by $14.2m, mainly reflecting the short-term addition of low margin equipment sales to help capture further market share and deliver long-term airtime revenues in Aviation. Indirect costs were $14.3m lower, reflecting both timing issues and reduced expenditure in a number of areas.

EBITDA increased by $13.2m and EBITDA margin increased to 55.9%, from 54.3% in Q3 2017.

Cash capex was $56.5m higher in the quarter, mainly reflecting the timing of investment in major infrastructure projects, in particular the GX5 and I-6 satellites.

Maritime

Market overview

In Maritime, the market is now quickly adopting broadband connectivity, with the pace of adoption being faster, and more disruptive, than previously expected in some areas. We continue to compete very strongly, winning material share in the key, high bandwidth, VSAT market segment, with c. 60% of new installations in the market this year being with our GX-based VSAT product, Fleet Xpress ("FX"). FX is very well positioned as the leading mobile broadband proposition in the Maritime market and we consequently expect that our market share in VSAT, which has grown from c. 15% in 2016 to c. 25% today, will continue to build strongly. Over the medium term, this key market segment is forecast to be the area of highest revenue growth and highest ARPU. The robust revenue growth and market share acquisition strategy that Inmarsat is successfully delivering is therefore fundamental to the longer term growth of Maritime revenues.

The growth in the VSAT market segment is being fuelled not only by new vessels and but also by vessels migrating from the mid-market where Inmarsat has historically held substantial market share through its FleetBroadband ("FB") product. Whilst we are retaining a large share of FB customers who migrate to VSAT, we are currently also losing a larger number than expected to competitor offerings, including newly emerged, low-end VSAT offerings. We are working hard to address this competitive dynamic through enhanced product offerings, targeted price incentives and new sales strategies, which are progressively being introduced in both FB and FX.

Q3 2018 results

	Third Quarter ended 30 September			**Nine months ended 30 September**		
($ in millions)	**2018**	**2017 (restated)**	**Change**	**2018**	**2017 (restated)**	**Change**
Revenue	135.0	143.1	(5.7%)	417.1	422.9	(1.4%)
Direct Costs	(17.8)	(19.7)	9.6%	(61.4)	(60.3)	(1.8%)
Gross Margin	117.2	123.4	(5.0%)	355.7	362.6	(1.9%)
Indirect costs	(8.5)	(9.1)	6.6%	(29.1)	(25.6)	(13.7%)
EBITDA	**108.7**	**114.3**	**(4.9%)**	**326.6**	**337.0**	**(3.1%)**
EBITDA margin %	*80.5%*	*79.9%*	–	*78.3%*	*79.7%*	–
Cash capex	(13.0)	(11.7)	(11.1%)	(37.0)	(35.0)	(5.7%)
Business Unit Operating Cash Flow	**95.7**	**102.6**	**(6.7%)**	**289.6**	**302.0**	**(4.1%)**

Maritime revenue declined by $8.1m with further strong growth from VSAT products, including FX, ($7.3m) being offset by lower revenue from FB ($11.6m) and other mainly legacy products ($4.1m).

Direct costs decreased by $1.9m reflecting leased capacity cost savings from the migration of XpressLink ("XL") vessels to FX and improved revenue mix. Indirect costs fell by $0.6m in Q3, reflecting lower marketing costs

EBITDA was consequently $5.6m lower but EBITDA margin increased to 80.5%, from 79.9%.

Maritime capex (success-based capex supporting both customer installations in FX and XL migrations) increased marginally to $13.0m.

Product performance

	Revenue		Number of vessels		Average Revenue per User ("ARPU")	
	Q3 2018	**Q3 2017**	**Q3 2018**	**Q3 2017**	**Q3 2018**	**Q3 2017**
FleetBroadband	$75.0m	$86.6m	33,509	36,809	$736	$777
VSAT	$39.0m	$31.7m	5,772	3,960	$2,332	$2,811
Fleet One	$1.7m	$1.3m	3,965	2,572	$105	$109
Other products	$19.4m	$23.5m	–	–	–	–

In VSAT, revenues grew strongly, rising by 23.0% in Q3 2018, with 5,772 installed VSAT vessels at the end of the quarter (4,726 of which were FX vessels) and a stable installation backlog of c. 650 vessels.

VSAT ARPU continues to reduce as our distribution channel brings new customers but also provides a greater proportion of new VSAT revenues (11% of installed vessels at Q3 2017, 27% at Q3 2018) at wholesale rather than retail pricing.

FX installations in Q3 of 604 vessels were at more normal levels following a particularly strong Q2 prior to the end of a short-term promotion. The proportion of completely new customer FX installations remained high at over 20% during the quarter.

FB revenues fell by 13.4% in Q3, with FB vessels declining by 3,300 vessels. Of the FB vessels lost, the overwhelming majority transitioned to VSAT services, including more than 1,400 vessels migrating to FX. The residual losses were to scrappage, L-band competition and transition to Fleet One. FB ARPU declined by 5.3% to $736 per month, reflecting the migration to VSAT being weighted towards the higher usage, higher ARPU customers.

Fleet One continues to build, with airtime and equipment revenue increasing by 31% to $1.7m and c. 300 new vessels being installed in Q3. Our other, mainly low margin and legacy products continued to decline at a similar rate to prior quarters.

Government

Market overview

Whilst the market remains competitive and the pricing environment remains intense, Government expenditure on commercial satcoms is expected to grow steadily over the medium term in both Ka-band and L-band applications.

Customer demand for broadband connectivity, especially in aviation and maritime remains strong. There are also opportunities to augment and extend the military Ka-band communications capabilities of government customers (for example through our GX network) and, in the medium term, as some government customers replace their proprietary space-based communications capabilities, there is the potential for commercial satcom capabilities to become more embedded within government networks.

We also expect to see growing market opportunities In L-band services, particularly in highly mobile connectivity, blue force tracking, IoT and mobile connectivity to smaller platforms, but also as new market segments beyond traditional defence and security continuing to open up.

Q3 2018 results

($ in millions)	Third Quarter ended 30 September 2018	2017 (restated)	Change	Nine months ended 30 September 2018	2017 (restated)	Change
Revenue	95.2	88.4	7.7%	278.3	275.9	0.9%
Direct costs	(14.9)	(12.4)	20.2%	(47.5)	(39.6)	19.9%
Gross Margin	**80.3**	**76.0**	**5.7%**	**230.8**	**236.3**	**(2.3%)**
Indirect costs	(10.4)	(11.4)	8.8%	(31.7)	(33.9)	6.5%
EBITDA	**69.9**	**64.6**	**8.2%**	**199.1**	**202.4**	**(1.6%)**
EBITDA margin %	*73.4%*	*73.1%*	–	*71.5%*	*73.4%*	–
Cash capex	(0.4)	(2.5)	84.0%	(2.1)	(7.4)	71.6%
Business Unit Operating Cash Flow	**69.5**	**62.1**	**11.9%**	**197.0**	**195.0**	**1.0%**

Government revenue increased by $6.8m, 7.7%, to $95.2m in Q3, as a result of strong performances from our US and non-US Government businesses across both our L-band and Ka-band networks.

Our US Government business continued to perform well, with revenue growth of 1.5% in Q3. This was supported by the renewal of a contract on revised terms earlier this year, with satisfactory progress in the Boeing Take-or-Pay contract, which delivered a further increase in underlying revenues, while the total contract continues to reduce to normalised levels.

In addition, our US Government business was successful in winning another important new customer contract in the period, to contribute from 2019, highlighting further progress against our strategic objective of increasing our long term contracted revenue base in Government.

Outside the US, revenues increased by 21.1% in the period, driven by increased product usage across key customers, particularly in L-band.

Direct costs increased by $2.5m, mainly due to the impact of an increased contribution from the lower margin CSSC contract. Indirect costs declined by $1.0m in the period, due to lower employee costs across the business. Mainly as a result of higher revenue, EBITDA increased by $5.3m and EBITDA margin increased to 73.4%.

Aviation

Market overview

In Aviation we focus on three market segments - In-Flight Connectivity (“IFC”), Business and General Aviation (“BGA”) and Safety and Operational Services (“SOS”).

In-Flight Connectivity (“IFC”) is expected to transform commercial aviation in the medium term, with related ancillary revenues becoming an increasingly important driver of airline profitability. Consequently, while IFC remains in a highly competitive market capture phase, it is expected to become the largest global aviation segment for mobile satellite communications in the future.

The Business and General Aviation (“BGA”) market (i.e. business jets) is also expected to grow, driven by a steady increase in aircraft in service and increasing bandwidth requirement per aircraft, driven by innovation in both cabin and cockpit applications.

The Safety and Operational Services (“SOS”) market (i.e. cockpit connectivity for commercial aircraft) is also expected to continue growing strongly, with many more aircraft expected to enter service over the next five years and the arrival of a new generation of services to the cockpit, including connected aircraft applications and augmentation to regional Air Traffic Management systems.

Q3 2018 results

($ in millions)	Third Quarter ended 30 September 2018	2017 (restated)	Change	Nine months ended 30 September 2018	2017 (restated)	Change
Revenue	68.2	50.9	34.0%	183.7	134.1	37.0%
Direct costs	(16.1)	(6.0)	(168.3%)	(37.9)	(7.5)	(405.3%)
Gross Margin	**52.1**	**44.9**	**16.0%**	**145.8**	**126.6**	**15.2%**
Indirect costs	(15.6)	(19.4)	19.6%	(49.4)	(50.7)	2.6%
EBITDA	**36.5**	**25.5**	**43.1%**	**96.4**	**75.9**	**27.0%**
EBITDA margin %	*53.5%*	*50.1%*	–	*52.5%*	*56.6%*	–
Cash capex	(10.7)	(30.4)	64.8%	(39.6)	(115.8)	65.8%
Business Unit Operating Cash Flow	**25.8**	**(4.9)**	**626.5%**	**56.8**	**(39.9)**	**242.4%**

Aviation delivered outstanding revenue growth of $17.3m, or 34.0%, to $68.2m in Q3 2018, with further progress in both our Core business and in rolling out IFC services in Commercial Aviation.

EBITDA increased by $11.0m, 43.1%, to $36.5m, with EBITDA margin up to 53.5% in the quarter (Q3 2017: 50.1%), driven by revenue growth across the business and lower marketing expenditure in IFC.

Cash flow from Aviation has also continued to improve with the impact of higher EBITDA and lower capex together driving improvements of $30.7m in the quarter and $96.7m year to date.

Aviation EBITDA and cash flow margins have been impacted as we build a strong market position in the rapidly growing and high potential IFC market. Overall, EBITDA margins in Aviation consequently fell from over 60% in 2016 to 53% in 2017. We expect that these margins will fall to no less than 45% in 2018, (an increase from our previous guidance of around 40% in 2018), before returning to at least 2016 margin levels, as a result of higher revenues, improved revenue mix and more stable indirect costs.

Core / IFC – Third Quarter ended 30 September ($ in millions)	Core Q3 2018	Q3 2017 (restated)	IFC Q3 2018	Q3 2017 (restated)
Revenue	42.0	32.3	26.2	18.6
Direct costs	(0.3)	(0.2)	(15.8)	(5.8)
Gross Margin	**41.7**	**32.1**	**10.4**	**12.8**
Indirect costs	(2.3)	(2.9)	(13.3)	(16.5)
EBITDA	**39.4**	**29.2**	**(2.9)**	**(3.7)**
EBITDA margin %	93.8%	90.4%	*n/a*	n/a
Cash capex	–	–	(10.7)	(30.4)
Business Unit Operating Cash Flow	**39.4**	**29.2**	**(13.6)**	**(34.1)**

Core / IFC – Nine months ended 30 September ($ in millions)	Core YTD 2018	YTD 2017 (restated)	IFC YTD 2018	YTD 2017 (restated)
Revenue	116.3	95.8	67.4	38.3
Direct costs	(1.0)	(0.6)	(36.9)	(6.9)
Gross Margin	**115.3**	**95.2**	**30.5**	**31.4**
Indirect costs	(7.4)	(7.6)	(42.0)	(43.1)
EBITDA	**107.9**	**87.6**	**(11.5)**	**(11.7)**
EBITDA margin %	*92.8%*	91.4%	*n/a*	n/a
Cash capex	–	–	(39.6)	(115.8)
Business Unit Operating Cash Flow	**107.9**	**87.6**	**(51.1)**	**(127.5)**

Core Aviation business

Our Core Aviation business comprises SwiftBroadband and JetConneX for BGA, Classic Aero and SwiftBroadband-Safety for SOS and legacy products. Revenue growth across these businesses remained strong, increasing by $9.7m, 30.0%, to $42.0m in Q3 2018.

By the end of Q3 2018, 362 aircraft were installed with JetConneX, our GX-based product for BGA, (from 109 at the end of Q3 2017). In the year to date, JetConneX grew airtime revenue by a factor of four times to $6.1m in the quarter.

SwiftBroadband revenues grew $1.6m, 9.4%, in the quarter to $18.5m, driven by higher usage, with the number of installed aircraft remaining stable at around 4,000.

In SOS, Classic Aero delivered revenue growth of $1.9m, 16.9%, to $13.1m in the quarter, mainly reflecting higher usage. The number of aircraft using Classic Aero remained stable at around 9,000.

Revenue in our legacy products increased to $4.0m (Q3 2017: $2.2m), driven by a one-off deferred revenue release of $2.7m in the quarter.

Direct costs in our Core business remained fairly immaterial at $0.3m in Q3 2018, whilst indirect costs reduced slightly to $2.3m. EBITDA and Business Unit Operating Cash Flow for the Core Aviation business consequently both grew by $10.2m to $39.4m in the quarter.

IFC

IFC revenues, comprising our GX Aviation services for IFC and our L-band-based IFC services for commercial aviation, together grew by $7.6m, 40.9%, to $26.2m in Q3 2018, including $3.3m of high margin GX airtime revenue.

We have over 1,400 aircraft expected under signed contracts for our GX and EAN Aviation IFC services and we continue to advance our new business pipeline of around 3,000 aircraft.

Several customers have selected GX Aviation for their IFC service offering, but have not yet signed contracts with Inmarsat or our channel partner. These include Garuda Indonesia, announced last week, SpiceJet in India, as well as other major carriers in Asia, Europe and the Middle East. A number of our existing customers are expected to expand their aircraft and fleet mandates with Inmarsat.

We have 321 aircraft installed with Inmarsat equipment across several customers (from 286 at the end of Q2), including the first installed aircraft on the European Aviation Network. We expect the rate of installation to increase over the coming quarters.

On 20 September 2018, Inmarsat and Panasonic Avionics Corporation (“Panasonic”) entered into a landmark strategic collaboration agreement for Commercial Aviation. This agreement accelerates our drive to establish a sustainable global leadership position in IFC, by combining Inmarsat’s position as the leading global mobile satellite provider and Panasonic’s market-leading position in IFC and in-flight entertainment (“IFE”). As part of the agreement, Inmarsat will become Panasonic’s exclusive long term provider of Ka-band IFC capacity, through GX and will have access to Panasonic’s downstream IFE presence and capability, enhancing our IFC service proposition through provision of Panasonic’s airline services to our direct customers.

IFC direct costs increased to $15.8m in Q3 2018 (Q3 2017: $5.8m), due to additional short term GX equipment sales being added to the revenue mix and some contractual start-up costs.

Indirect costs in IFC in Q3 were $3.2m lower than last year at $13.3m, reflecting lower marketing expenditure.

Cash capex in IFC decreased to $10.7m in Q3 2018, (Q3 2017: $30.4m), mainly as a result of lower investment in GX equipment for customers.

As a result of all of the factors outlined above, IFC EBITDA improved marginally in the period. IFC Operating Cash Flow improved significantly, however, reducing the level of start-up investment by $20.5m to $13.6m for the quarter.

Enterprise

Market overview

In Enterprise, there is limited future growth potential for our legacy markets and products, due to increasing terrestrial network deployments in remote and rural areas. Consequently, legacy products, such as Broadband Global Area Network ("BGAN") and satellite phones will continue to decline gradually, but with a re-orientation towards back-up, emergency and event-driven usage.

Over the longer term, significant growth is expected from the emerging Industrial Internet of Things markets, either principally served by satellite or served by terrestrial technologies augmented by satellite services. Several of these markets are now in proof of concept or early trial stage as the value that real time data brings becomes more apparent.

Q3 2018 results

	Third Quarter ended 30 September			Nine months ended 30 September		
($ in millions)	2018	2017 (restated)	Change	2018	2017 (restated)	Change
Revenue	34.6	38.2	(9.4%)	98.6	100.5	(1.9%)
Direct costs	(7.3)	(7.4)	1.4%	(19.5)	(17.1)	(14.0%)
Gross Margin	**27.3**	**30.8**	**(11.4%)**	**79.1**	**83.4**	**(5.2%)**
Indirect costs	(5.4)	(4.2)	(28.6%)	(16.5)	(13.2)	(25.0%)
EBITDA	**21.9**	**26.6**	**(17.7%)**	**62.6**	**70.2**	**(10.8%)**
EBITDA margin %	*63.3%*	*69.6%*	–	*63.5%*	*69.9%*	–
Cash capex	–	(0.1)	–	–	(0.2)	–
Business Unit Operating Cash Flow	**21.9**	**26.5**	**(17.4%)**	**62.6**	**70.0**	**(10.6%)**

Enterprise revenues declined by $3.6m, 9.4%, in Q3 2018, mainly reflecting a tough prior year comparator (which included higher revenues relating to the hurricane season) and lower fixed-to-mobile revenues.

This was highlighted in Q3 2018 by revenues from BGAN which fell by $1.1m, 12.9%, to $7.4m and by satellite phone airtime and handset revenue which declined by $0.8m, 7.1%, to $10.4m.

Fixed-to-mobile revenues declined by $1.7m, 40.4% to $2.5m, reflecting continued migration to Voice-over-IP.

Machine to Machine ("M2M") revenue increased by $0.9m, 19.6%, to $5.5m driven by on-going demand for M2M in commercial applications. Furthermore, in line with our strategy to establish new foundations for future growth around "Internet of Things" opportunities, we made good progress in establishing a number of proof-of-concept initiatives in this area during the period.

Direct costs fell marginally to $7.3m while indirect costs increased by $1.2m in Q3 2018, as a result of legal fees in the period. EBITDA was consequently $4.7m lower in Q3 2018, with EBITDA margin declining to 63.3%.

Central Services

($ in millions)	Third Quarter ended 30 September 2018	2017 (restated)	Change	Nine months ended 30 September 2018	2017 (restated)	Change
Revenue						
Ligado Networks	32.9	32.4	1.5%	97.7	96.1	1.7%
Other	3.4	3.2	6.3%	11.1	10.4	6.7%
Total Revenue	**36.3**	**35.6**	**2.0%**	**108.8**	**106.5**	**2.2%**
Direct costs	(5.3)	(1.7)	(211.8%)	(13.3)	(9.2)	(44.6%)
Gross Margin	**31.0**	**33.9**	**(8.6%)**	**95.5**	**97.3**	**(1.8%)**
Indirect costs	(61.5)	(71.6)	14.1%	(200.7)	(209.8)	4.3%
EBITDA	**(30.5)**	**(37.7)**	**19.1%**	**(105.2)**	**(112.5)**	**6.5%**
Cash capex	(133.4)	(58.1)	(129.6%)	(336.6)	(250.8)	(34.2%)
Business Unit Operating Cash Flow	**(163.9)**	**(95.8)**	**(70.9%)**	**(441.8)**	**(363.3)**	**(21.6%)**

Revenue and EBITDA from Ligado was little changed at $32.9m in Q3 2018.

Direct costs increased by $3.6m, mainly due to higher inventory provisions.

Indirect costs decreased by $10.1m reflecting timing issues and reduced expenditure in a number of areas, as well as the impact of the implementation of IFRS16 which moved lease costs of $2.9m into depreciation. For 2018 as a whole, we continue to expect low single digit percentage growth in central services costs.

Central Services capital expenditure increased by $75.3m to $133.4m, due to the timing of expenditure, on our major infrastructure programmes, including the 5th GX satellite and the I-6 satellite infrastructure.

Reconciliation of EBITDA to profit after tax

($ in millions)	Third Quarter ended 30 September 2018	2017 (restated)	Change	Nine months ended 30 September 2018	2017 (restated)	Change
EBITDA	**206.5**	**193.3**	**6.8%**	**579.5**	**573.0**	**1.1%**
Depreciation and amortisation	(115.0)	(103.4)	(11.2%)	(347.5)	(297.5)	(16.8%)
Asset impairments & Other	(6.6)	(3.0)	(120.0%)	(6.4)	(3.4)	(88.2%)
Operating profit	**84.9**	**86.9**	**(2.3%)**	**225.6**	**272.1**	**(17.1%)**
Net financing income/(costs)	154.5	36.6	322.1%	(105.3)	(85.2)	(23.6%)
Taxation charge	(11.7)	(10.8)	(8.3%)	(24.4)	(35.4)	31.1%
Profit after tax	**227.7**	**112.7**	**102.0%**	**95.9**	**151.5**	**(36.7%)**
Addback of change in fair value of derivative (2023 convertible bond)	(181.2)	(56.4)	(221.3%)	26.1	15.8	65.2%
Adjusted profit after tax	**46.5**	**56.3**	**(17.4%)**	**122.0**	**167.3**	**(27.1%)**

Operating profit

Operating profit for the quarter ended 30 September 2018 decreased by $2.0m to $84.9m. This was driven by this increase in EBITDA of $13.2m discussed above, which was offset by additional depreciation of $11.6m attributable mainly to the GX4 (I-5 F4) and S-Band satellites coming into commercial service in Q4 2017.

Net financing income/(cost)

Net financing income for the quarter increased by $117.9m to $154.5m, driven by a decrease of $181.2m in the unrealised conversion liability on the 2023 Convertible Bond.

The fair value of the conversion liability is calculated as the difference between the market value of the Convertible Bond and the 'book value' of the cash element of the convertible bond. The convertible price decreased during Q3, following the withdrawal of EchoStar's proposed takeover approach at the end of Q2, driving a decrease in the fair value liability and corresponding benefit in the income statement. The impact of the unrealised conversion liability will reverse to nil if the convertible bonds reach maturity and are not converted.

Net financing costs, excluding the non-cash impact of the convertible bond adjustments outlined above, increased by $6.9m to $26.7m for the quarter due to an increase in net debt and a reduction in capitalised interest.

Taxation

The tax charge has increased marginally by $0.9m in the third quarter to $11.7m. The effective tax rate reported for the quarter was 4.9% (2017 restated: 8.8%), reflecting removal of the unrealised gain on the conversion liability of the convertible bonds which is non-taxable. The underlying effective tax rate was 23.0% (2017 restated: 16.8%). This rate is higher than the UK statutory rate of 19% (2017: 19.25%) due to impairments which have been treated as non-deductible in the period and some profits being earned in jurisdictions where the tax rate is higher than the UK.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of c. $110m during the first half of 2019. The quantum and timing of this cost remains uncertain but it is substantially provided for and the enquiries remain ongoing at this time.

Profit after tax ("PAT")

Statutory PAT increased by $115.0m in the quarter, driven additionally by a reduction in the unrealised conversion liability on the 2023 Convertible Bond discussed above.

Adjusted PAT, which excludes the impact of the unrealised conversion liability, decreased by $9.8m in the quarter, reflecting the changes in EBITDA, depreciation, financing costs and taxation noted above.

Cash Flow[1]

	Third Quarter ended 30 September		**Nine months ended 30 September**	
($ in millions)	**2018**	**2017 (restated)**	**2018**	**2017 (restated)**
EBITDA	**206.5**	**193.3**	**579.5**	**573.0**
Non-cash items	4.9	7.8	4.9	19.4
Change in working capital	(1.7)	(13.5)	(63.3)	(3.0)
Cash generated from operations	**209.7**	**187.6**	**521.1**	**589.4**
Cash Capital expenditure	(157.5)	(101.0)	(415.3)	(409.2)
Net interest paid	(17.9)	(22.7)	(77.6)	(77.5)
Tax received/(paid)	2.5	(1.5)	3.9	(18.1)
Free cash flow	**36.8**	**62.4**	**32.1**	**84.6**
Dividends paid to shareholders	(1.1)	(0.1)	(40.0)	(118.0)
Other movement including foreign exchange	–	(4.1)	1.4	(7.7)
Net cash flow	**35.7**	**58.2**	**(6.5)**	**(41.1)**
Increase/(decrease) to cash reclassified from short-term deposits	120.6	132.7	291.1	112.7
Repayment of borrowings	(67.5)	(40.4)	(136.1)	(82.0)
Net increase/ (decrease) in cash and cash equivalents	**88.8**	**150.5**	**148.5**	**(10.4)**

[1] Cash flow outlined in this table is non-statutory.

Cash and net borrowings

($ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
At beginning of the period	204.3	100.6	144.6	261.5
Net increase/(decrease) in cash and cash equivalents	88.8	150.5	148.5	(10.4)
Sub-total (net of bank overdrafts)	**293.1**	**251.1**	**293.1**	**251.1**
Short term deposits				
At beginning of the period	171.5	415.0	342.0	395.0
Net (decrease)/increase in short term deposits	(120.6)	(132.7)	(291.1)	(112.7)
Sub-total	**50.9**	**282.3**	**50.9**	**282.3**
Total cash, cash equivalents and short term deposits	**344.0**	**533.4**	**344.0**	**533.4**
Opening net borrowings[1]	**2,139.5**	**2,005.7**	**2,078.6**	**1,894.8**
Net cash flow	(35.7)	(58.2)	6.5	41.1
Non-cash movements[2]	11.9	4.5	30.6	16.1
Closing net borrowings[1]	**2,115.7**	**1,952.0**	**2,115.7**	**1,952.0**

Free cash flow decreased by $25.6m for the quarter ended 30 September 2018 mainly reflecting the increase in EBITDA, improved working capital requirements and lower interest paid and taxation, but also higher capital expenditure of $56.5m.

The reduction of $11.8m in the working capital outflow was mainly due to a decrease in receivables, with customer collections starting to improve, having slowed in previous quarters after the introduction of a new billing system earlier this year.

Capital Expenditure

($ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
Major infrastructure projects[3]	88.1	40.7	225.8	244.2
Success-based capex[4]	16.2	32.2	61.3	93.0
Other capex[5]	20.8	36.3	68.3	95.1
Cash flow timing[6]	32.4	(8.2)	59.9	(23.1)
Total cash capital expenditure	**157.5**	**101.0**	**415.3**	**409.2**

The increase in capital expenditure on major infrastructure projects relates to the timing of investment in the I-6 satellite infrastructures, while the decrease in success-based capex is due to the timing of GX installations in Aviation. Other capex decreased mainly due to the timing of investment in IT and Cyber compared to the prior year. Cash flow timing was impacted by contractual payments on GX5.

In line with our guidance that capital expenditure is expected to meaningfully moderate after 2020, we continue to develop the next generation of GX satellites, to augment the global coverage we have in place today, using new, lower cost satellite technologies. Discussions continue with a number of potential manufacturing partners about delivering this technology, and we expect to be able to provide more specific guidance about our plans in this regard in the coming quarters.

[1]Net borrowings includes the convertible bond, total borrowings less cash and cash equivalents and short-term investments. Borrowings exclude accrued interest and any derivative liabilities.

[2] Non-cash movements relate primarily to the amortisation of deferred financing costs and the fair value of the convertible bond.

[3] "Major infrastructure projects" capex consists of satellite design, build and launch costs and ground network infrastructure costs.

[4] "Success-based capex" consists of capital equipment installed on ships, aircraft and other customer platforms.

[5] "Other capex" investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.

[6] Cash flow timing represents the difference between accrued capex and the actual cash flows

Group Liquidity and Capital Resources

At 30 September 2018, the Group had over $1 billion in available liquidity, including cash and cash equivalents of $293.1m, short term deposits of $50.9m and available but undrawn committed borrowing facilities of $750m under a Senior Revolving Credit Facility.

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 2017 Inmarsat plc Annual Report and Accounts.

Inmarsat plc
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce
Chief Executive Officer
7 November 2018

Tony Bates
Chief Financial Officer
7 November 2018

INMARSAT PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2018 (unaudited)

($ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	**2017 (restated) [1]**	**2018**	**2017 (restated) [1]**
Revenues	**369.3**	**356.2**	**1,086.5**	**1,039.9**
Employee benefit costs	(73.9)	(78.2)	(225.8)	(218.9)
Network and satellite operations costs	(45.3)	(46.2)	(140.1)	(142.9)
Other operating costs	(52.6)	(51.8)	(170.0)	(142.3)
Own work capitalised	9.0	13.3	28.9	37.2
Total net operating costs	(162.8)	(162.9)	(507.0)	(466.9)
EBITDA	**206.5**	**193.3**	**579.5**	**573.0**
Depreciation and amortisation	(115.0)	(103.4)	(347.5)	(297.5)
Impairment loss	(7.0)	-	(7.0)	-
Loss on disposals of assets	(0.6)	(3.7)	(2.2)	(5.5)
Share of profit of associates	1.0	0.7	2.8	2.1
Operating profit	**84.9**	**86.9**	**225.6**	**272.1**
Financing income	2.0	1.8	6.3	6.1
Financing costs	(28.7)	(21.6)	(85.5)	(75.5)
Change in fair value of derivative[2]	181.2	56.4	(26.1)	(15.8)
Net financing costs	154.5	36.6	(105.3)	(85.2)
Profit before tax	**239.4**	**123.5**	**120.3**	**186.9**
Taxation charge	(11.7)	(10.8)	(24.4)	(35.4)
Profit for the period	**227.7**	**112.7**	**95.9**	**151.5**
Attributable to:				
Equity holders	**227.5**	**112.7**	**95.4**	**151.2**
Non-controlling interest[3]	**0.2**	**–**	**0.5**	**0.3**
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in $ per share)				
— Basic	**0.50**	**0.25**	**0.21**	**0.33**
— Diluted	**0.49**	**0.25**	**0.21**	**0.33**
Adjusted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in $ per share)				
— Basic	**0.10**	**0.12**	**0.27**	**0.37**
— Diluted	**0.10**	**0.12**	**0.26**	**0.37**

[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] The change in fair value of derivatives relates to the mark-to-market valuation of the conversion liability component of the convertible bonds due 2023, issued in Q3 2016.

[3] Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf

INMARSAT PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018 (unaudited)

	Third Quarter ended 30 September		Nine months ended 30 September	
($ in millions)	**2018**	**2017 (restated)**	**2018**	**2017 (restated)**
Profit for the period	**227.7**	**112.7**	**95.9**	**151.5**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	(0.1)	(0.1)	(0.1)	0.3
Net gain/(loss) on cash flow hedges	2.1	5.8	2.9	14.0
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	–	–	16.0	1.5
Tax credited directly to equity	–	(0.1)	(3.6)	(0.5)
Other comprehensive income for the period, net of tax	**2.0**	**5.6**	**15.2**	**15.3**
Total comprehensive loss for the period, net of tax	**229.7**	**118.3**	**111.1**	**166.8**
Attributable to:				
Equity holders	**229.5**	**118.3**	**110.6**	**166.5**
Non-controlling interest	**0.2**	**–**	**0.5**	**0.3**

INMARSAT PLC

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (unaudited)

($ in millions)	30 September 2018 (unaudited)	31 December 2017 (restated)	30 September 2017 (restated & unaudited)
Assets			
Non-current assets			
Property, plant and equipment	3,307.1	3,255.5	3,165.7
Intangible assets	776.8	788.9	776.5
Investments	17.9	16.2	15.2
Right of Use Assets	64.9	–	–
Other receivables	35.3	23.9	16.8
Deferred tax asset	27.3	35.4	42.3
Derivative financial instruments	–	0.3	–
	4,229.3	**4,120.2**	**4,016.5**
Current assets			
Cash and cash equivalents	293.8	144.9	251.6
Short-term deposits	50.9	342.0	282.3
Trade and other receivables	340.5	344.4	328.4
Inventories	50.5	33.9	30.4
Current tax assets	8.4	13.8	12.9
Derivative financial instruments	0.3	1.2	2.7
Restricted cash	3.1	2.8	2.9
	747.5	**883.0**	**911.2**
Total assets	**4,976.8**	**5,003.2**	**4,927.7**
Liabilities			
Current liabilities			
Borrowings	124.6	125.6	103.7
Trade and other payables	538.8	634.4	588.1
Provisions	6.2	16.2	1.7
Current tax liabilities	141.1	130.2	136.0
Derivative financial instruments	3.8	7.9	10.0
Lease obligations	12.5	–	–
	827.0	**914.3**	**839.5**
Non-current liabilities			
Borrowings	2,335.8	2,439.9	2,382.2
Other payables	18.4	25.0	27.6
Provisions	9.1	9.7	14.0
Deferred tax liabilities	240.6	238.4	223.7
Derivative financial instruments	153.1	127.8	152.1
Lease obligations	61.2	–	–
	2,818.2	**2,840.8**	**2,799.6**
Total liabilities	**3,645.2**	**3,755.1**	**3,639.1**
Net assets	**1,331.6**	**1,248.1**	**1,288.6**
Shareholders' equity			
Ordinary shares	0.3	0.3	0.3
Share premium	761.0	745.4	731.7
Other reserves	104.9	92.0	88.2
Retained earnings	464.9	409.8	468.1
Equity attributable to shareholders	**1,331.1**	**1,247.5**	**1,288.3**
Non-controlling interest	**0.5**	**0.6**	**0.3**
Total equity	**1,331.6**	**1,248.1**	**1,288.6**

INMARSAT PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018 (unaudited)

($ 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)	**0.3**	**700.4**	**87.9**	**(23.3)**	**(2.8)**	**467.5**	**0.6**	**1,230.6**
Share-based payments[3]	–	–	12.1	–	–	(0.4)	–	11.7
Dividend declared	–	–	–	–	–	(151.2)	(0.6)	(151.8)
Scrip dividend cash reinvestment[5]	–	–	–	–	–	31.2	–	31.2
Scrip dividend share issue[5]	–	31.2	–	–	–	(31.2)	–	–
Comprehensive Income:								
Profit for the year	–	–	–	–	–	151.2	0.3	151.5
OCI[4] – before tax	–	0.1	–	14.0	0.3	1.5	–	15.9
OCI[4] – tax	–	–	–	–	–	(0.5)	–	(0.5)
Balance at 30 September 2017 (unaudited)	**0.3**	**731.7**	**100.0**	**(9.3)**	**(2.5)**	**468.1**	**0.3**	**1,288.6**
Balance at 1 January 2018 (audited)	**0.3**	**745.4**	**97.1**	**(7.8)**	**2.7**	**409.8**	**0.6**	**1,248.1**
Share-based payments[3]	–	–	10.1	–	–	2.3	–	12.4
Dividend declared	–	–	–	–	–	(55.0)	(0.6)	(55.6)
Scrip dividend cash reinvestment[5]	–	–	–	–	–	15.6	–	15.6
Scrip dividend share issue[5]	–	15.6	–	–	–	(15.6)	–	–
Comprehensive Income:								
Profit for the year	–	–	–	–	–	95.4	0.5	95.9
OCI[4] – before tax	–	–	–	2.9	(0.1)	16.0	–	18.8
OCI[4] – tax	–	–	–	–	–	(3.6)	–	(3.6)
Balance at 30 September 2018 (unaudited)	**0.3**	**761.0**	**107.2**	**(4.9)**	**2.6**	**464.9**	**0.5**	**1,331.6**

[1] The 'other' reserve relates to ordinary shares held by the Employee Share Trust debit of $3.1m (2017: $2.4m), the currency reserve credit of $1.1m (2017: $0.6m) 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.

[5] Represents the cash value of the scrip dividend reinvested into the Company

INMARSAT PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 30 September 2018 (unaudited)

($ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
Cash flow from operating activities				
Cash generated from operations	209.7	187.7	521.1	589.4
Interest received	1.8	3.0	4.5	4.5
Tax received/(paid)	2.5	(1.5)	3.9	(18.1)
Net cash inflow from operating activities	**214.0**	**189.2**	**529.5**	**575.8**
Cash flow from investing activities				
Purchase of property, plant and equipment	(136.0)	(83.2)	(323.8)	(358.8)
Additions to intangible assets	(12.7)	(4.6)	(62.7)	(13.2)
Own work capitalised	(8.8)	(13.2)	(28.8)	(37.2)
Short-term cash deposits >3 months	120.6	132.7	291.1	112.7
Investment in financial asset	–	–	–	(1.1)
Net cash (used)/generated in investing activities	**(36.9)**	**31.7**	**(124.2)**	**(297.6)**
Cash flow from financing activities				
Dividends paid to shareholders	(1.1)	(0.1)	(40.0)	(118.0)
Repayment of borrowings	(61.1)	(40.4)	(122.2)	(80.8)
Interest paid	(19.7)	(25.7)	(82.1)	(82.0)
Arrangement costs of financing	(3.8)	–	(4.4)	(1.2)
Cash payments for the principal portion of the lease obligations	(2.6)	–	(9.5)	–
Other financing activities	0.1	(0.7)	(0.9)	(1.6)
Net cash used in financing activities	**(88.2)**	**(66.9)**	**(259.1)**	**(283.6)**
Foreign exchange adjustment	(0.1)	(3.5)	2.3	(5.0)
Net increase/(decrease) in cash and cash equivalents	**88.8**	**150.5**	**148.5**	**(10.4)**
Cash and cash equivalents				
At beginning of the period	204.3	100.6	144.6	261.5
Net increase/(decrease) in cash and cash equivalents	88.8	150.5	148.5	(10.4)
At end of the period (net of bank overdrafts)	**293.1**	**251.1**	**293.1**	**251.1**
Comprising:				
Cash at bank and in hand	165.7	56.4	165.7	56.4
Short-term deposits with original maturity of less than three months	128.1	195.2	128.1	195.2
Cash and cash equivalents	**293.8**	**251.6**	**293.8**	**251.6**
Bank overdrafts	(0.7)	(0.5)	(0.7)	(0.5)
Net cash and cash equivalents at end of period	**293.1**	**251.1**	**293.1**	**251.1**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

1. General information

Inmarsat plc ('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 quarter and nine months ended 30 September 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. These are approved by the Board of Directors on 7 November 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. The Directors therefore believe that the Company and the Group are well placed to manage their business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat plc continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of accounting

The functional and reporting currency of the Company and most of the Group's subsidiaries 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 and IFRS9. Additionally a reclassification of short-term deposits has been made to better reflect the requirements of 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

3. Segment information (continued)

- 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;

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.

	Third Quarter ended 30 September		**Nine months ended 30 September**	
($ in millions)	**2018**	**2017 (restated)**	**2018**	**2017 (restated)**
Revenues				
Maritime	135.0	143.1	417.1	422.9
Government	95.2	88.4	278.3	275.9
Aviation	68.2	50.9	183.7	134.1
Enterprise	34.6	38.2	98.6	100.5
Central Services[1]	36.3	35.6	108.8	106.5
Total revenues	**369.3**	**356.2**	**1,086.5**	**1,039.9**
EBITDA				
Maritime	108.7	114.3	326.6	337.0
Government	69.9	64.6	199.1	202.4
Aviation	36.5	25.5	96.4	75.9
Enterprise	21.9	26.6	62.6	70.2
Central Services[1]	(30.5)	(37.7)	(105.2)	(112.5)
Total EBITDA	**206.5**	**193.3**	**579.5**	**573.0**
Depreciation and amortisation	(115.0)	(103.4)	(347.5)	(297.5)
Other	(6.6)	(3.0)	(6.4)	(3.4)
Operating profit	**84.9**	**86.9**	**225.6**	**272.1**
Net financing costs	154.5	36.6	(105.3)	(85.2)
Profit before tax	**239.4**	**123.5**	**120.3**	**186.9**
Taxation charge	(11.7)	(10.8)	(24.4)	(35.4)
Profit for the period	**227.7**	**112.7**	**95.9**	**151.5**

Cash capital expenditure				
Maritime	13.0	11.7	37.0	35.0
Government	0.4	2.5	2.1	7.4
Aviation	10.7	30.4	39.6	115.8
Enterprise	–	0.1	–	0.2
Central Services	133.4	56.3	336.6	250.8
Total cash capital expenditure	**157.5**	**101.0**	**415.3**	**409.2**
Financing costs capitalised in the cost of qualifying assets	10.3	15.0	26.6	37.6
Cash flow timing	(32.4)	8.2	(59.9)	23.1
Total capital expenditure	**135.4**	**124.2**	**382.0**	**469.9**

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

4. Net financing costs

($ in millions)	Third Quarter ended 30 September 2018	Third Quarter ended 30 September 2017 (restated)	Nine months ended 30 September 2018	Nine months ended 30 September 2017 (restated)
Bank interest receivable and other interest	(2.0)	(1.8)	(6.3)	(6.1)
Total financing income	**(2.0)**	**(1.8)**	**(6.3)**	**(6.1)**
Interest on Senior Notes and credit facilities	23.3	23.7	69.7	70.9
Interest on Convertible Bonds	9.6	9.4	28.7	28.0
Amortisation of debt issue costs	4.2	2.3	10.1	8.8
Amortisation of discount on Senior Notes due 2022	0.3	0.3	0.8	0.8
Amortisation of discount on deferred satellite liabilities	-	-	0.1	0.3
Net interest on the net pension asset and post-employment liability	0.2	0.4	0.2	1.8
Other interest	1.4	0.5	2.5	2.5
	39.0	**36.6**	**112.1**	**113.1**
Less: Amounts capitalised in the cost of qualifying assets	(10.3)	(15.0)	(26.6)	(37.6)
Financing costs excluding derivative adjustments	**28.7**	**21.6**	**85.5**	**75.5**
Change in fair value of derivative liability component of the 2023 Convertible Bonds	(181.2)	(56.4)	26.1	15.8
Net financing costs	**(154.5)**	**(36.6)**	**105.3**	**85.2**

5. Taxation

($ in millions)	Third Quarter ended 30 September 2018	Third Quarter ended 30 September 2017 (restated)	Nine months ended 30 September 2018	Nine months ended 30 September 2017 (restated)
Current tax:				
Current period	6.5	10.3	12.5	22.0
Adjustments in respect of prior periods	0.7	-	2.5	1.5
Total current tax	**7.2**	**10.3**	**15.0**	**23.5**
Deferred tax:				
Origination and reversal of temporary differences	7.9	0.5	18.0	11.0
Adjustments in respect of prior periods	(3.4)	-	(8.6)	0.9
Total deferred tax	**4.5**	**0.5**	**9.4**	**11.9**
Total taxation charge	**11.7**	**10.8**	**24.4**	**35.4**

6. Net Borrowings

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

	At 30 September 2018			At 31 December 2017		
($ in millions)	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	0.7	-	0.7	0.3	-	0.3
Deferred satellite payments	1.7	-	1.7	3.1	-	3.1
Ex-Im Bank Facilities	122.2	-	122.2	122.2	-	122.2
Total current borrowings	**124.6**	**-**	**124.6**	**125.6**	**-**	**125.6**
Non-current:						
Deferred satellite payments	4.4	-	4.4	5.6	-	5.6
Senior Notes due 2022	1,000.0	(4.2)	995.8	1,000.0	(5.1)	994.9
– Net issuance discount	(3.7)	-	(3.7)	(4.5)	-	(4.5)
Senior Notes due 2024	400.0	(4.3)	395.7	400.0	(4.9)	395.1
Ex-Im Bank Facilities	386.5	(8.6)	377.9	508.7	(14.9)	493.8
Convertible Bonds due 2023	561.6	(5.7)	555.9	549.2	(6.6)	542.6
– Accretion of principal	9.8	-	9.8	12.4	-	12.4
Total non-current borrowings	**2,358.6**	**(22.8)**	**2,335.8**	**2,471.4**	**(31.5)**	**2,439.9**
Total borrowings	**2,483.2**	**(22.8)**	**2,460.4**	**2,597.0**	**(31.5)**	**2,565.5**
Cash and cash equivalents	(293.8)	-	(293.8)	(144.9)	-	(144.9)
Short-term deposits	(50.9)	-	(50.9)	(342.0)	-	(342.0)
Net borrowings	**2,138.5**	**(22.8)**	**2,115.7**	**2,110.1**	**(31.5)**	**2,078.6**

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

7. 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 and the conversion liability component of the Convertible Bonds due 2023.

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 September 2018	At 31 December 2017
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	0.3	1.5
Forward foreign currency contracts – undesignated cash flow hedges	-	-
Total derivative financial assets	**0.3**	**1.5**
Financial liabilities:		
Conversion liability component of 2023 Convertible Bond	(151.8)	(125.7)
Forward foreign currency contracts– designated cash flow hedges	(5.1)	(9.9)
Forward foreign currency contracts – undesignated cash flow hedges	-	(0.1)
Total derivative financial liabilities	**(156.9)**	**(135.7)**
Net derivative financial liability	**(156.6)**	**(134.2)**

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.

On issuance the Convertible Bond 2023 was bifurcated between a cash debt and conversion liability component, as shown below. The cash debt component meets the definition of net borrowings and over the term of the bond will accrete up to the principal value of $650m with the cost of that accretion recognised in net financing costs. The conversion liability component represents the value of the conversion rights associated with the instrument and is accounted for at fair value through profit and loss.

The fair value of the conversion liability is calculated as the difference between the fair value of the Convertible Bond (being the principal multiplied by the closing bond price at the Balance Sheet date) and the accreted balance of the cash debt component. At 30 September 2018, the fair value of the Convertible Bond was $723.2m and the accreted balance of the cash debt component was $571.4m, meaning the conversion liability was valued at $151.8m. As shown in the table below, the movement in the conversion liability from December 2017 to 30 September 2018 of $26.1m has been recognised in the income statement through net financing costs:

($ in millions)	**At 30 September 2018**	**At 31 December 2017**	**On issuance**
Cash debt component	571.4	561.6	545.5
Conversion liability component	151.8	125.7	104.5
Total fair value	**723.2**	**687.3**	**650.0**

The impact of the unrealised conversion liability will reverse to nil if the convertible bonds reach maturity and are not converted.

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 September 2018		**At 31 December 2017**	
($ in millions)	**Carrying Value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities:				
Senior Notes due 2022	1,000.0	996.1	1,000.0	1,000.8
Senior Notes due 2024	400.0	406.7	400.0	408.1
Ex-Im Bank Facilities	508.7	508.9	630.9	639.7
Convertible Bonds due 2023	571.4	723.1	561.6	687.3

8. Dividends Payable

($ in millions)	t 30 September 2018	At 30 September 2017
Final dividend for the year ended 31 December 2017 of 12 cents ($) (year ended 31 December 2016: 33.37 cents ($)) per share	55.0	151.2
Dividends in statements of changes in equity	**55.0**	**151.2**
Dividends settled in shares	(15.6)	(31.2)
Dividends settled in cash	**39.4**	**120.0**

The Board declared, and on 19 October 2018 paid, an interim dividend of 8.00 cents ($) per ordinary share to ordinary shareholders on the share register at the close of business on 14 September 2018. Dividend payments were made in Pounds Sterling based on the exchange rate from the WMReuters GBP/USD 9am fix (London time) four business days prior to the date of announcement of the scrip reference price. In accordance with IAS 10, this dividend has not been recorded as a liability at 30 September 2018.

With effect from the 2016 interim dividend, we introduced a scrip dividend election opportunity for shareholders, to take their cash dividend entitlement in Inmarsat shares. For our 2018 interim dividend the scrip amounted to 1,044,660 new shares (0.22% of the then issued share capital). These shares were issued and made available for trading on 19 October 2018. As at 19 October 2018, Inmarsat plc had 462,617,429 shares in issue.

9. Earnings per share

Earnings per share for the three and nine months ended 30 September 2018 has been calculated based on the profit attributable to equity holders for the period and the weighted average number of ordinary shares in issue (excluding shares held by the Employee Benefit Trust).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options and awards granted to employees under the employee share plans.

	Third Quarter ended 30 September		Nine months ended 30 September	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Profit attributable to equity holders of the Company	227.5	112.7	95.4	151.2
Weighted average number of ordinary shares in issue (m's)	458.0	452.0	458.0	452.1
Potentially dilutive ordinary shares (m's)	6.2	4.4	6.2	4.4
Weighted average number of diluted ordinary shares (m's)	464.2	456.4	464.2	456.5
Basic earnings per share ($ per share)	0.50	0.25	0.21	0.33
Diluted earnings per share ($ per share)	0.49	0.25	0.21	0.33

10. Adjusted earnings per share

Adjusted earnings per share for the three and nine months ended 30 September 2018 has been calculated based on profit attributable to equity holders adjusted for the pre-tax impact of the change in the fair value of the conversion liability component of the 2023 Convertible Bonds.

	Third Quarter ended 30 September		Nine months ended 30 September	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Profit attributable to equity holders of the Company	227.5	112.7	95.4	151.2
Adjusted for:				
Increase/(decrease) in fair value of conversion liability component of 2023 Convertible Bonds	(181.2)	(56.4)	26.1	15.8
Adjusted profit attributable to equity holders of the Company	46.3	56.3	121.5	167.0
Weighted average number of ordinary shares in issue (m's)	458.0	452.0	458.0	452.1
Potentially dilutive ordinary shares (m's)	6.2	4.4	6.2	4.4
Weighted average number of diluted ordinary shares (m's)	464.2	456.4	464.2	456.5
Basic adjusted earnings per share ($ per share)	0.10	0.12	0.27	0.37
Diluted adjusted earnings per share ($ per share)	0.10	0.12	0.26	0.37

11. 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.

12. Events after the balance sheet date

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 nine months and description of principal risks and uncertainties for the remaining three 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 plc are listed on our website at www.inmarsat.com.

By order of the Board,

Rupert Pearce
Chief Executive Officer
7 November 2018

Tony Bates
Chief Financial Officer
7 November 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. Adjusted PAT	Adjusted PAT is defined as Profit after Tax excluding the non-cash impact of the unrealised movement in the fair value of the conversion liability component of the 2023 convertible bond. A reconciliation to Profit after tax can be found on page 10.
3. 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.
4. Adjusted EPS	Adjusted Earnings Per Share is computed as Group Adjusted Profit After Tax attributable to equity holders of the Company divided by the weighted average number of shares in issue (excluding shares held by the Employee Trust). Growth in adjusted EPS is a measure of our ability to deliver profitable growth by increasing our revenue and delivering cost efficiencies across the Group, thereby delivering value for our shareholders. Please refer to Note 10 for the reconciliation of Adjusted EPS to EPS.
5. 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 12.
6. Underlying effective tax rate	The underlying effective tax rate is used to analyse differences from the corporate tax rate which are implicit to business operations rather than driven by accounting adjustments. For the quarter, this has been calculated by taking the tax charge ($11.7m) add prior year adjustments ($2.7m) and less revaluation of deferred tax balances ($0.9m) divided by PBT ($239.4m) adjusted for the impact of the unrealised conversion liability of the convertible bonds ($181.2m).
7. Business Unit Operating Cash Flow	This is indicative of the cash generated by the relevant business unit for the period in review. 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:

	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
($ in millions)	**Reported**	**IFRS 15**	**Restated**	**Reported**	**IFRS 15**	**Restated**
Revenues	**358.3**	**(2.1)**	**356.2**	**1,046.5**	**(6.6)**	**1,039.9**
Other operating costs	(55.9)	4.1	(51.8)	(154.1)	11.8	(142.3)
EBITDA	**191.3**	**2.0**	**193.3**	**567.8**	**5.2**	**573.0**
Depreciation and amortisation	(102.2)	(1.2)	(103.4)	(294.1)	(3.4)	(297.5)
Operating profit	**86.1**	**0.8**	**86.9**	**270.3**	**1.8**	**272.1**
Financing income	36.3	0.3	36.6	(86.1)	0.9	(85.2)
Profit before tax	**122.4**	**1.1**	**123.5**	**184.2**	**2.7**	**186.9**
Tax	(10.4)	(0.4)	**(10.8)**	(34.6)	(0.8)	**(35.4)**
Profit after tax	**112.0**	**0.7**	**112.7**	**149.6**	**1.9**	**151.5**
Total comprehensive income	**117.6**	**0.7**	**118.3**	**164.9**	**1.9**	**166.8**

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 IFRS15, 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 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 30 September 2017			As at 31 December 2017		
($ in millions)	**Reported**	**IFRS 15**	**Restated**	**Reported**	**IFRS 15**	**Restated**
Non-current assets						
Property, plant and equipment	3,149.3	16.4	3,165.7	3,236.6	18.9	3,255.5
Deferred income tax asset	42.4	(0.1)	42.3	35.6	(0.2)	35.4
Current assets						
Trade and other receivables	306.9	21.5	328.4	319.4	25.0	344.4
Total assets	**4,889.9**	**37.8**	**4,927.7**	**4,959.5**	**43.7**	**5,003.2**
Current liabilities						
Trade and other payables	543.2	44.9	588.1	584.6	49.8	634.4
Non-current liabilities						
Deferred income tax liabilities	222.9	0.8	223.7	237.3	1.1	238.4
Total liabilities	**3,593.4**	**45.7**	**3,639.1**	**3,704.2**	**50.9**	**3,755.1**
Net assets (Equity)	**1,296.5**	**(7.9)**	**1,288.6**	**1,255.3**	**(7.2)**	**1,248.1**

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.

($ in millions)[1]	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
Cash generated from operations	183.8	3.8	187.6	577.5	11.2	588.7
Net cash inflow from operating activities	**185.3**	**3.8**	**189.1**	**563.9**	**11.2**	**575.1**
Purchase of property, plant and equipment	(79.4)	(3.8)	(83.2)	(347.6)	(11.2)	(358.8)
Net cash used in investing activities	**(167.3)**	**(3.8)**	**(171.1)**	**(190.0)**	**(11.2)**	**(201.2)**
Net (decrease)/increase in cash and cash equivalents	**(52.4)**	**-**	**(52.4)**	**85.3**	**-**	**85.3**

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	**4,959.5**	**75.7**	**5,035.2**
Current liabilities			
Trade and other payables	584.6	(11.5)	573.1
Obligations under finance leases	-	13.1	13.1
Non-current liabilities			
Obligations under finance leases	-	74.1	74.1
Total liabilities	**3,704.2**	**75.7**	**3,779.9**
Net assets (Equity)	**1,255.3**	**-**	**1,255.3**

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 $3.3m in the quarter from lease-related costs being accounted for as depreciation and interest rather than indirect costs. Overall there was no impact to PBT due to the forex gain of $0.7m offsetting the interest charge of $0.7m.

[1] The reported numbers in the cash flow table above have not been adjusted for the impact of reclassification of short term deposits which is discussed later in this appendix. The restated numbers above therefore need to be considered in aggregate.

IFRS9 'Financial Instruments'

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

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 Q3 2017 have been restated.

The impact on short term deposits was an increase of $95.7m to $282.3m and cash & cash equivalents net of bank overdrafts were reduced by $95.7m to $251.1m. The overall impact on current assets is zero and is detailed in the table below:

	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
($ in millions)	**Reported**	**Adj.**	**Restated**	**Reported**	**Adj.**	**Restated**
Cash and cash equivalents						
At beginning of the period	399.2	(298.6)	100.6	261.5	-	261.5
Net increase/(decrease) in cash and cash equivalents	(52.4)	202.9	150.5	85.3	(95.7)	(10.4)
Sub-total (net of bank overdrafts)	**346.8**	**(95.7)**	**251.1**	**346.8**	**(95.7)**	**251.1**
Short term deposits						
At beginning of the period	116.4	298.6	415.0	395.0		395.0
Net (decrease)/increase in short term deposits	70.2	(202.9)	(132.7)	(208.4)	95.7	(112.7)
Sub-total	**186.6**	**95.7**	**282.3**	**186.6**	**95.7**	**282.3**
Total cash, cash equivalents and short term deposits	**533.4**	**-**	**533.4**	**533.4**	**-**	**533.4**

The impact on the cash flow statement can be seen in the following table:

	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
($ in millions) [1]	**Reported**	**Adj.**	**Restated**	**Reported**	**Adj.**	**Restated**
Short-term cash deposits >3 months	(70.2)	202.9	132.7	208.4	(95.7)	112.7
Net cash used in investing activities	**(167.3)**	202.9	35.6	**(190.0)**	**(95.7)**	**(285.7)**
Net (decrease)/increase in cash and cash equivalents	**(52.4)**	202.9	150.5	**85.3**	**(95.7)**	**(10.4)**

[1] The reported numbers in the table above have not been adjusted for the impact of IFRS15 which is discussed earlier in this appendix. The restated numbers above therefore need to be considered in aggregate.