



## Inmarsat plc reports First Quarter Results 2018

### A solid start to the year

London, UK: 2 May 2018. Inmarsat plc (LSE: ISAT.L), (“Inmarsat”, “The Group”), the leading provider of global mobile satellite communications services, today announces financial results for the three months ended 31 March 2018.

#### Financial highlights:

\$ in millions	First Quarter		
	2018	2017 (restated) <sup>1</sup>	% change
<b>Group revenue</b>	<b>345.4</b>	<b>329.5</b>	<b>4.8%</b>
Maritime	142.0	139.8	1.6%
Government	78.3	86.0	(9.0%)
Aviation	56.0	40.3	39.0%
Enterprise	32.7	29.4	11.2%
Other <sup>2</sup>	36.4	34.0	7.1%
<b>EBITDA<sup>3</sup></b>	<b>174.9</b>	<b>183.1</b>	<b>(4.5%)</b>
<b>PAT</b>	<b>53.6</b>	<b>(5.6)</b>	<b>n/a</b>
<b>Adjusted PAT<sup>3</sup></b>	<b>29.4</b>	<b>52.7</b>	<b>(44.2%)</b>

#### Operational highlights:

- **Group Revenue** increased \$15.9m (4.8%) to \$345.4m (up 5.0% to \$313.3m, excluding Ligado), driven by growth in Aviation, Enterprise and Maritime:
  - **Maritime:** continued year-on-year revenue growth, supported by further market traction with Fleet Xpress (“FX”)
  - **Government:** lower contracted revenue from Boeing Take-or-Pay contract and the end of exceptional operational revenue outside the US, as expected in both cases
  - **Aviation:** continued double digit revenue growth in both In-Flight Connectivity (“IFC”) and our Core Aviation business
  - **Enterprise:** first quarter of significant growth for some time, mainly driven by double digit growth in satellite phone airtime and handset revenues
  - **GX:** airtime and related revenues of \$50.0m (Q1 2017: \$32.1m), driven by growing customer take-up in Maritime, Government and Aviation
- **Group EBITDA:** decreased by \$8.2m (4.5%) to \$174.9m (down 6.1% to \$142.8m, excluding Ligado), reflecting the growth in revenue offset by changes in revenue mix, particularly in Government, and an adverse impact of currency movements on indirect costs of \$9.1m
- **Adjusted Profit After Tax** (excluding impact on income statement of unrealised conversion liability on 2023 convertible bond): declined \$23.3m, reflecting changes in EBITDA, depreciation, financing costs and taxation. Statutory PAT, (including the unrealised conversion liability element) increased \$59.2m
- **Outlook and future guidance unchanged**

<sup>1</sup> 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.

<sup>2</sup> “Other” revenue comprises revenue contribution from Central Services and Ligado Networks.

<sup>3</sup> In response to the Guidelines on Alternative Performance Measures (“APMs”) 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.

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

“Inmarsat delivered another solid performance in the first quarter of 2018, with good revenue growth, building on the positive momentum we achieved during the course of 2017, and continued strategic progress, especially in Maritime with FX and in our nascent IFC business in Aviation.

“Given our track record, unique capabilities, differentiated market position and strong channels to market, we are increasingly well placed to deliver further annual revenue growth across all of our target Maritime, Government, Aviation and Enterprise markets.”

**Outlook & future guidance**

As outlined at our 2017 financial results on 9 March 2018, we remain confident about the growth outlook for the business and we reiterate all elements of our future guidance, as disclosed at that time. Our specific financial guidance remains unchanged, as follows:

- **Medium term Group revenue, EBITDA and free cash flow growth (all excluding Ligado):**
  - Targeting mid-single digit percentage revenue growth on average over the next five years, with EBITDA and free cash flow generation expected to improve steadily.
- **Group revenue:**
  - 2018 revenue, excluding Ligado, of \$1,300m to \$1,500m;
  - Annual GX revenues at a run rate of \$500m by the end of 2020.
- **Group capex:**
  - Over 2018 to 2020, we expect that capital expenditure will be within a range of \$500m to \$600m per annum;
  - Based on current management plans, infrastructure capex is expected to meaningfully moderate after 2020 as we bring to bear our next generation network augmentation plans.
- **Group leverage:**
  - Net Debt: EBITDA to normally remain below 3.5x.

**Results conference call**

Inmarsat management will discuss these results in a conference call on Wednesday 2 May at 08.00 hrs London time. The call can be accessed by dialling +44 (0) 330 336 9105 (from the UK and Europe) or +1 929 477 0353 (from the US), with a passcode of 5200378. A web-cast of the call can be accessed via our website: [www.inmarsat.com](http://www.inmarsat.com).

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**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 plc (the "Company" or, together with its subsidiaries, the "Group") for the three months ended 31 March 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. All discussion of results relate to the three months ended 31 March 2018, and all comparisons are with the three months ended 31 March 2017, unless specifically stated otherwise. This report includes additional disclosure relating to year-on-year trends in direct and indirect costs, with data from recent quarters available on the Company's website: [www.inmarsat.com](http://www.inmarsat.com).

Inmarsat has adopted IFRS15, 16 and 9 for the financial year ending 31 December 2018. Additionally a reclassification of short-term deposits has been made to better reflect the requirements of IAS7.

To reflect the adoption of IFRS15, Q1 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 Q1 2017, revenue is \$2.7m lower, whilst capital expenditure and EBITDA are higher by \$11.6m and \$1.6m respectively.

IFRS16, which Inmarsat is adopting a year early to avoid restatements impacting in two successive years, requires vehicles and properties to be accounted for as "right-of-use assets". This had a \$2.3m positive impact on EBITDA in Q1 2018, 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, whilst short-term deposits have been re-classified in the Cash Flow statement.

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

### Group Financial Highlights

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
<b>Revenue</b>			
Revenue	313.3	298.5	5.0%
Ligado revenue	32.1	31.0	3.5%
<b>Total revenue</b>	<b>345.4</b>	<b>329.5</b>	<b>4.8%</b>
Direct costs	(53.0)	(36.1)	(46.8%)
<b>Gross Margin</b>	<b>292.4</b>	<b>293.4</b>	<b>(0.3%)</b>
Indirect costs	(117.5)	(110.3)	(6.5%)
<b>EBITDA</b>	<b>174.9</b>	<b>183.1</b>	<b>(4.5%)</b>
EBITDA margin %	50.6%	55.6%	–
Cash capital expenditure	141.3	134.4	(5.1%)

Group revenue increased by \$15.9m driven by growth in Aviation, Enterprise and Maritime.

Direct costs increased by \$16.9m mainly reflecting the changing revenue mix right across the business, particularly in Government.

Indirect costs grew by \$7.2m, driven by the \$9.1m adverse impact of currency movements.

EBITDA consequently decreased by \$8.2m from the prior year, and EBITDA margin decreased to 50.6%, from 55.6% in Q1 2017.

Capital expenditure increased by \$6.9m, mainly due to higher levels of investment in major infrastructure projects in the period (in particular the GX-5 and I-6 satellites).

## Maritime

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
Revenue	142.0	139.8	1.6%
Direct costs	(22.1)	(19.3)	(14.5%)
<b>Gross Margin</b>	<b>119.9</b>	<b>120.5</b>	<b>(0.5%)</b>
Indirect costs	(10.3)	(8.4)	(22.6%)
<b>EBITDA</b>	<b>109.6</b>	<b>112.1</b>	<b>(2.2%)</b>
EBITDA margin %	77.2%	80.2%	–
Cash capital expenditure	(11.4)	(11.4)	–
<b>Business Unit Operating Cash Flow</b>	<b>98.2</b>	<b>100.7</b>	<b>(2.5)</b>

Q1 - Maritime products	Revenue (\$ in millions)		Number of vessels		Average Revenue per User (“ARPU”)	
	2018	2017 (restated)	2018	2017	2018	2017
FleetBroadband (“FB”)	83.3	87.8	35,343	37,746	778	772
VSAT (XL and FX)	34.6	29.2	4,726	3,259	2,549	3,100
Fleet One	2.1	1.2	3,259	1,537	160	96
Other products	22.0	21.6	n/a	n/a	n/a	n/a

Maritime delivered revenue of \$142.0m in Q1 2018, up 1.6% from the prior year.

Revenue from our Very Small Aperture Terminal (“VSAT”) products, Xpress Link (“XL”) and Fleet Xpress (“FX”), continued to grow strongly, increasing by 18.5% in Q1 2018, with 4,726 installed VSAT vessels at the end of the period, (3,259 of which were FX vessels). The VSAT installation order book was stable at c.720 vessels, and the pace of FX installations remained strong, driven by the on-going ramp-up of our internal installation capability and increased engagement from our distribution partners, which is expected to further drive the FX installation rate going forward. The overall proportion of completely new customer installations remained high at around 30% (excluding XL migrations).

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

VSAT Average Revenue per User (“ARPU”) declined by 17.8% to \$2,549 per month, reflecting the on-going impact of wholesalers significantly increasing their share of aggregate VSAT installations from 3% (97 installed FX vessels) at the end of the prior year to 19% (887 installed FX vessels) at the end of Q1 2018, and a decline in wholesale and retail ARPU, mainly as a result of an increasing share of entry level price plans as well as price incentives for some new customers to help capture market share.

FleetBroadband (“FB”) vessels declined to 35,343 at the end of Q1 2018, from 37,746 in Q1 2017. Around 40% of this decline in FB vessel numbers related to the ARPU-accretive managed migration of these vessels up to FX. The remainder, which were mainly low ARPU vessels, were lost as a result of scrappage and increased competition at the low end of the market (which we are addressing through new pricing strategies). FB revenues consequently declined by 5.1% in Q1 2018, with the migration of FB vessels to FX accounting for more than half of this reduction. FB ARPU was little changed at around \$780 per month.

Fleet One delivered \$2.1m of airtime and equipment revenue in Q1 2018, up \$0.9m from the prior year, with around 200 new Fleet One terminals installed during the quarter. The products customer base is now 3,259 vessels, up from 1,537 in Q1 2017. Fleet One’s average ARPU in Q1 was particularly high at around \$160 per month, but is expected to normalise to around \$100 per month in the coming quarters.

Revenue from our mainly lower margin and legacy products was broadly flat, with the on-going decline in legacy product revenue being offset by a \$3.8m increase in FX terminal sales. Terminal sales will continue to be a positive feature of our revenue mix, as they drive new airtime revenues once installed.

Direct costs increased by \$2.8m in the quarter, due to higher bad debt provisions, following temporarily slower customer collections resulting from the introduction of a new billing system. Indirect costs increased by \$1.9m to \$10.3m, mainly as a result of increased marketing activity related to the biennial Volvo Ocean Race. As a result, EBITDA in the period declined by \$2.5m, with EBITDA margin decreasing to 77.2% (from 80.2% in Q1 2017). Maritime capex, which is all success-based capex, was unchanged at \$11.4m.

## Government

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
Revenue	78.3	86.0	(9.0%)
Direct costs	(14.2)	(10.1)	(40.6%)
<b>Gross Margin</b>	<b>64.1</b>	<b>75.9</b>	<b>(15.5%)</b>
Indirect costs	(10.8)	(11.6)	6.9%
<b>EBITDA</b>	<b>53.3</b>	<b>64.3</b>	(17.1%)
<i>EBITDA margin %</i>	<i>68.1%</i>	<i>74.8%</i>	-
Cash capex	(1.4)	(3.1)	54.8%
<b>Business Unit Operating Cash Flow</b>	<b>51.9</b>	<b>61.2</b>	<b>(9.3)</b>

As expected, Government revenue declined by 9.0% to \$78.3m in Q1 2018. US Government revenues declined by 3.5%, driven by lower contracted revenue from the higher margin Boeing Take-or-Pay contract, (albeit that underlying revenues are increasing and breakage is decreasing) partially offset by a full quarter's contribution from the lower margin CSSC contract. Outside the US, revenues fell by 17.6% mainly reflecting the previously highlighted end of exceptional higher margin operational revenue.

Direct costs increased by \$4.1m, mainly due to the impact of the lower margin CSSC contract, but indirect costs declined by \$0.8m. As a result of lower revenue and higher direct costs, EBITDA declined by \$11.0m and EBITDA margin fell to 68.1%.

As previously outlined, near-term future revenue growth in Government is expected to be modest, as the Boeing Take-or-Pay contract reduces to normalised levels, the exceptional revenues of 2017 are not repeated and contract wins continue to be lumpy and irregular.

## Aviation

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
Revenue	56.0	40.3	39.0%
Direct costs	(7.9)	(0.9)	(777.8%)
<b>Gross Margin</b>	<b>48.1</b>	<b>39.4</b>	<b>22.1%</b>
Indirect costs	(14.5)	(14.1)	(2.8%)
<b>EBITDA</b>	<b>33.6</b>	<b>25.3</b>	<b>32.8%</b>
<i>EBITDA margin %</i>	<i>60.0%</i>	<i>62.8%</i>	
Cash capex	(19.8)	(49.0)	59.6%
<b>Business Unit Operating Cash Flow</b>	<b>13.8</b>	<b>(23.7)</b>	<b>37.5</b>

Core / IFC	Core		IFC	
	Q1 2018	Q1 2017 (restated)	Q1 2018	Q1 2017 (restated)
(\$ in millions)				
Revenue	36.7	31.5	19.3	8.8
Direct costs	(0.4)	(0.2)	(7.5)	(0.7)
<b>Gross Margin</b>	<b>36.3</b>	<b>31.3</b>	<b>11.8</b>	<b>8.1</b>
Indirect costs	(2.2)	(2.1)	(12.3)	(12.0)
<b>EBITDA</b>	<b>34.1</b>	<b>29.2</b>	<b>(0.5)</b>	<b>(3.9)</b>
<i>EBITDA margin %</i>	<i>92.9%</i>	<i>92.7%</i>	<i>n/a</i>	<i>n/a</i>
Cash capex	-	-	(19.8)	(49.0)
<b>Business Unit Operating Cash Flow</b>	<b>34.1</b>	<b>29.2</b>	<b>(20.3)</b>	<b>(52.9)</b>

## **Core Aviation business**

Revenue in our Core Aviation business, which 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, increased by 16.5% to \$36.7m in Q1 2018. By the end of Q1 2018, 223 aircraft were installed with JetConneX, our GX-based product for BGA, generating airtime revenue of \$3.7m (Q1 2017: \$0.5m).

SwiftBroadband revenues grew 10.3% in the period to \$20.4m (Q1 2017: \$18.5m), driven by an increase in number of installed aircraft and higher average revenue per aircraft (“ARPA”), which increased to \$1,729 per month, from \$1,660 per month in the prior year, as a result of higher airtime usage. By the end of Q1 2018, there were 3,835 active aircraft with SwiftBroadband services in BGA (Q1 2017: 3,652).

In SOS, Classic Aero delivered revenue growth of 11.5% to \$10.7m in the period (Q1 2017: \$9.6m), as a result of higher ARPA, which increased to \$373 per month (Q1 2017: \$354 per month), reflecting higher customer 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 \$1.8m, (Q1 2017: \$2.9m), due to the end of a leasing contract, which will have a similar impact on the remaining quarters of 2018. On 17 April 2018, we launched our new aviation safety product, SwiftBroadband-Safety, which will help to further develop our business in SOS going forward.

Direct costs in our Core business remained fairly immaterial at \$0.4m in the period, whilst indirect costs remained stable at \$2.2m.

EBITDA and Business Unit Operating Cash Flow for the Core Aviation business consequently both grew to \$34.1m (Q1 2017: \$29.2m).

## **IFC**

IFC revenues, comprising our L-band-based IFC services for commercial aviation, and our GX Aviation services for IFC, together grew by 119.3% to \$19.3m Q1 2018.

Our L-band-based IFC services delivered revenue growth of 50.0% to \$11.7m (Q1 2017: \$7.8m), driven by increased usage by a number of key customers.

At the end of Q1 2018, we had over 1,300 aircraft expected under signed contracts for our GX Aviation IFC services, including some smaller customer contracts announced during the period, with 245 GX-installed aircraft across a number of customers (up from 194 at the end of 2017) and the first commercial services for customers going live in Q2 2018. In the period, there was \$7.7m of GX-related IFC revenue generated, (Q1 2017: \$1.0m), the vast majority of which was relatively low margin installation revenue. Installation revenue is expected to ramp-up during the remainder of the year, driven by installation schedules of our customers.

Despite on-going challenges from some of our competitors, substantially all required regulatory authorisations are now in place for the European Aviation Network (“EAN”). The complementary ground network is complete, the S-band satellite is operational and preparations continue with our launch customers for the service roll-out of the EAN to passengers.

In IFC, direct costs increased to \$7.5m in Q1 2018 (Q1 2017 restated for IFRS15: \$0.7m), as a result of additional low margin GX installation revenues 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, were unchanged at \$12.3m.

In IFC, cash capex decreased to \$19.8m in the period, (Q1 2017: \$49.0m) mainly as a result of infrastructure investment in the S-band satellite in the prior year, ahead of its launch in Q2 2017.

As a result of all of the factors outlined above, IFC EBITDA consequently improved to close to breakeven, with the Business Unit Operating Cash Flow in IFC improving significantly, reducing the level of start-up investment by \$32.6m to \$20.3m for the quarter.

## Overall Aviation EBITDA

Overall Aviation EBITDA increased by \$8.3m to \$33.6m in Q1 2018, with EBITDA margin decreasing to 60.0% in the period (Q1 2017: 62.8%).

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.

As previously outlined, we expect that, over the years 2016 to 2021, overall EBITDA margins in Aviation will 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 overall EBITDA margins in Aviation.

## Enterprise

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
Revenue	32.7	29.4	11.2%
Direct costs	(6.0)	(2.8)	(114.3%)
<b>Gross Margin</b>	<b>26.7</b>	<b>26.6</b>	<b>0.4%</b>
Indirect costs	(5.1)	(4.5)	(13.3%)
<b>EBITDA</b>	<b>21.6</b>	<b>22.1</b>	<b>(2.3%)</b>
<i>EBITDA margin %</i>	<i>66.1%</i>	<i>75.2%</i>	
Cash capex	—	—	—
<b>Business Unit Operating Cash Flow</b>	<b>21.6</b>	<b>22.1</b>	<b>(0.5)</b>

Enterprise revenues increased by 11.2% in Q1 2018, mainly as a result of significant growth in satellite phone airtime and handset revenue.

Revenue from our Broadband Global Area Network (“BGAN”) product grew by 4.4% to \$7.1m. Satellite phone airtime and handset revenue increased by 100.0% to \$9.2m, against a relatively low prior year comparator, driven by several material new partnerships for handset sales.

Fixed-to-mobile revenues continued to decline, falling by 36.0% to \$3.2m during the period, mainly reflecting on-going decline of satellite-based voice products, driven by continued migration to Voice-over-IP.

Machine to Machine (“M2M”) revenue increased by 11.4% to \$4.9m during the quarter, highlighting continuing strong demand for M2M in commercial applications.

Direct costs increased by \$3.2m, mainly reflecting the additional satellite phone handset sales, whilst indirect costs increased by \$0.6m, as a result of which EBITDA was down by \$0.5m and EBITDA margin declined to 66.1% in the period.

## Central Services

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
<b>Revenue</b>			
Ligado Networks	32.1	31.0	3.5%
Other	4.3	3.0	43.3%
<b>Total revenue</b>	<b>36.4</b>	<b>34.0</b>	<b>7.1%</b>
Direct costs	(2.8)	(3.0)	6.7%
<b>Gross Margin</b>	<b>33.6</b>	<b>31.0</b>	<b>8.4%</b>
Indirect costs	(76.8)	(71.7)	(7.1%)
<b>EBITDA</b>	<b>(43.2)</b>	<b>(40.7)</b>	<b>(6.1%)</b>
<i>Cash capex</i>	<i>(108.7)</i>	<i>(70.9)</i>	<i>(53.3%)</i>
<b>Business Unit Operating Cash Flow</b>	<b>(151.9)</b>	<b>(111.6)</b>	<b>(40.3)</b>

Revenue from Ligado increased \$1.1m, driven by the terms of our 2016 agreement and IFRS15 adjustments.

Indirect costs increased by \$5.1m, mainly driven by the adverse impact of currency movements.

Excluding currency movements, indirect costs remained broadly flat year-on-year once account has been taken of the \$2.3m reduction in indirect costs from the implementation of IFRS16 which has moved lease costs 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 year increased by \$37.8m, due to the timing of expenditure on our major infrastructure programmes, including in Q1 2018 the 5<sup>th</sup> GX satellite and the I-6 satellite infrastructure. Other capex was down year-on-year due to the timing of project expenditure.

#### Reconciliation of EBITDA to Profit after tax

(\$ in millions)	Q1 2018	Q1 2017 (restated)	Change
<b>EBITDA</b>	<b>174.9</b>	<b>183.1</b>	<b>(4.5%)</b>
Depreciation and amortisation	(116.0)	(97.7)	(18.7%)
Other	0.5	0.4	(25.0%)
<b>Operating profit</b>	<b>59.4</b>	<b>85.8</b>	<b>(30.8%)</b>
Net financing costs	(3.4)	(84.5)	96.0%
Taxation charge	(2.4)	(6.9)	65.2%
<b>Statutory profit after tax</b>	<b>53.6</b>	<b>(5.6)</b>	
Addback of change in fair value of derivative (2023 convertible bond)	(24.2)	58.3	(141.5%)
<b>Adjusted profit after tax</b>	<b>29.4</b>	<b>52.7</b>	<b>(44.2%)</b>

#### *Operating profit*

Depreciation and amortisation increased by \$18.3m as a result of the I-5 F4 and S-Band satellites coming into commercial service in Q4 2017. This, combined with lower EBITDA, resulted in operating profit decreasing by \$26.4m.

#### *Net financing cost*

Net financing costs decreased by \$81.1m to \$3.4m with the \$1.0m increase in financing costs being more than offset by the \$82.5m net year-on-year reduction in the unrealised conversion liability on the 2023 Convertible Bond. The \$24.2m reduction in the unrealised conversion liability in the quarter (Q1 2017: \$58.3m charge) was driven by a fall in the convertible bond price over the period (see note 7).

#### *Taxation*

The underlying effective tax rate in the quarter was 17.6% (2017: 16.8%). This rate is lower than the UK statutory rate of 19% (2017 19.25%), as the Group now benefits from the Patent Box regime in the UK, which results in some profits now being taxed at 10%.

The reported tax charge additionally reflects the increase or reduction in the unrealised conversion liability of the convertible bonds. This amount, which is included in net financing costs, as outlined above, is non-taxable.

#### *Profit after tax*

Adjusted PAT, which excludes the impact on the income statement of the unrealised conversion liability on the 2023 convertible bond, declined by \$23.3m, reflecting the changes in EBITDA, depreciation, financing costs and taxation noted above. Including this impact, statutory PAT increased by \$59.2m.



## Cash Flow<sup>1</sup>

(\$ in millions)	Q1 2018	Q1 2017 (restated)
EBITDA	174.9	183.1
Non-cash items	3.5	8.5
Change in working capital	(30.4)	(4.4)
Cash generated from operations	148.0	187.2
Capital expenditure	(141.3)	(134.4)
Net interest paid	(21.5)	(21.3)
Tax paid	1.6	(13.7)
<b>Free cash flow</b>	<b>(13.2)</b>	<b>17.8</b>
Other movement including foreign exchange	0.7	(1.0)
<b>Net cash flow</b>	<b>(12.5)</b>	<b>16.8</b>
Increase/(decrease) to cash reclassified from short-term deposits with original maturity >3 months	143.7	(20.0)
Decrease in cash from borrowings	(64.7)	(41.5)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>66.5</b>	<b>(44.7)</b>
<b>Cash and cash equivalents</b>		
At beginning of the period	144.6	261.5
Net increase/(decrease) in cash and cash equivalents	66.5	(44.7)
<b>At end of the period (net of bank overdrafts)</b>	<b>211.1</b>	<b>216.8</b>
<b>Short term deposits</b>		
At beginning of the period	342.0	395.0
Net (decrease)/increase in short term deposits	(143.7)	20.0
<b>At end of the period</b>	<b>198.3</b>	<b>415.0</b>
<b>Opening net borrowings<sup>2</sup></b>		
	<b>2,078.6</b>	<b>1,894.8</b>
Net cash flow	12.5	(16.8)
Non-cash movements <sup>3</sup>	9.6	6.9
<b>Closing net borrowings<sup>2</sup></b>	<b>2,100.7</b>	<b>1,884.9</b>

At 31 March 2018, the Group had cash and cash equivalents of \$211.5m, short term deposits of \$198.3m and available but undrawn borrowing facilities of \$500.5m under our Senior Credit Facility.

Free cash flow decreased in the period by \$31.0m compared with Q1 2017. This was mainly due to lower cash generated from operations (\$39.2m) and higher capital expenditure (\$6.9m) offset by a reduction in tax paid (\$15.3m) mainly due to lower UK profits.

Cash generated from operations was adversely impacted by an increase in working capital of \$30.4m driven mainly by higher receivables at the end of the quarter. Customer collections were impacted by a combination of the Easter holiday period which coincided with the quarter end and temporarily slower customer collections resulting from the introduction of a new billing system.

<sup>1</sup> Cash flow outlined in this table is non-statutory.

<sup>2</sup> 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.

<sup>3</sup> Non-cash movements relate to the amortisation of deferred financing costs.

## Capital Expenditure

(\$ in millions)	Q1 2018	Q1 2017 (restated)
Major infrastructure projects <sup>1</sup>	110.8	76.2
Success-based capex <sup>2</sup>	55.7	34.2
Other capex <sup>3</sup>	26.9	29.8
Cash flow timing <sup>4</sup>	(52.1)	(5.8)
<b>Total cash capital expenditure</b>	<b>141.3</b>	<b>134.4</b>

The increase in capital expenditure on major infrastructure projects was driven by increased investment in GX, in particular GX-5, against which there was no investment in the prior period, and the I-6 satellites.

Success-based capex also increased, driven by the acceleration in the installation of GX terminals in Aviation and Fleet Xpress, including the XpressLink migration programme, in Maritime.

Other capex, which includes investment in infrastructure maintenance, IT and new product and service development, declined due to the phasing of product and service development costs over the period.

Cash flow timing in the period was impacted by the timing of contractual milestones on GX-5 where the work was largely completed in the quarter but the associated milestone payment was not due to be made until next quarter.

## 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.

Inmarsat plc  
99 City Road  
London EC1Y 1AX

By order of the Board,

Rupert Pearce  
Chief Executive Officer  
1 May 2018

Tony Bates  
Chief Financial Officer  
1 May 2018

<sup>1</sup> "Major infrastructure projects" capex consists of satellite design, build and launch costs and ground network infrastructure costs.

<sup>2</sup> "Success-based capex" consists of capital equipment installed on ships, aircraft and other customer platforms.

<sup>3</sup> "Other capex" investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.

<sup>4</sup> Cash flow timing represents the difference between accrued capex and the actual cash flows

**INMARSAT PLC**  
**CONSOLIDATED INCOME STATEMENT**

**For the three months ended 31 March 2018**

(\$ in millions)	2018	2017 (restated) <sup>1</sup>
<b>Revenues</b>	<b>345.4</b>	<b>329.5</b>
Employee benefit costs	(77.1)	(70.0)
Network and satellite operations costs	(47.5)	(45.0)
Other operating costs	(55.9)	(43.1)
Own work capitalised	10.0	11.7
Total net operating costs	(170.5)	(146.4)
<b>EBITDA</b>	<b>174.9</b>	<b>183.1</b>
Depreciation and amortisation	(116.0)	(97.7)
Loss on disposal of assets	(0.4)	(0.4)
Share of profit of associates	0.9	0.8
<b>Operating profit</b>	<b>59.4</b>	<b>85.8</b>
Financing income	1.9	2.3
Financing costs	(29.5)	(28.5)
Change in fair value of derivative <sup>2</sup>	24.2	(58.3)
Net financing costs	(3.4)	(84.5)
<b>Profit before tax</b>	<b>56.0</b>	<b>1.3</b>
Taxation charge	(2.4)	(6.9)
<b>Profit/(loss) for the period</b>	<b>53.6</b>	<b>(5.6)</b>
<b>Attributable to:</b>		
<b>Equity holders</b>	<b>53.5</b>	<b>(5.8)</b>
<b>Non-controlling interest<sup>3</sup></b>	<b>0.1</b>	<b>0.2</b>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in \$ per share)		
— Basic	<b>0.12</b>	<b>(0.01)</b>
— Diluted	<b>0.12</b>	<b>(0.01)</b>
Adjusted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in \$ per share)		
— Basic	<b>0.06</b>	<b>0.12</b>
— Diluted	<b>0.06</b>	<b>0.12</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions eht.

**INMARSAT PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the three months ended 31 March 2018**

(\$ in millions)	2018	2017 (restated)
<b>Profit/(Loss) for the period</b>	<b>53.6</b>	<b>(5.6)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the Income Statement:</b>		
Foreign exchange translation differences	0.2	(0.2)
Net gain on cash flow hedges	5.2	2.5
Tax credited directly to equity	–	–
<b>Items that will not be reclassified subsequently to the Income Statement:</b>		
Re-measurement of the defined benefit asset	–	–
Tax credited directly to equity	–	–
<b>Other comprehensive income for the period, net of tax</b>	<b>5.4</b>	<b>2.3</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>59.0</b>	<b>(3.3)</b>
<b>Attributable to:</b>		
<b>Equity holders</b>	<b>58.3</b>	<b>(3.5)</b>
<b>Non-controlling interest</b>	<b>0.7</b>	<b>0.2</b>

**INMARSAT PLC**  
**CONSOLIDATED BALANCE SHEET**  
**As at 31 March 2018**

(\$ in millions)	As at 31 March 2018 (unaudited)	As at 31 December 2017 (restated)	As at 31 March 2017 (restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,315.1	3,255.5	3,052.9
Intangible assets	778.0	788.9	775.7
Right of use assets	72.9	–	–
Investments	16.7	16.2	13.5
Other receivables	23.5	23.9	10.8
Deferred tax asset	26.9	35.4	40.3
Derivative financial instruments	0.1	0.3	–
	<b>4,233.2</b>	<b>4,120.2</b>	<b>3,893.2</b>
<b>Current assets</b>			
Cash and cash equivalents <sup>1</sup>	211.5	144.9	217.2
Short-term deposits <sup>2</sup>	198.3	342.0	415.0
Trade and other receivables	367.4	344.4	310.6
Inventories	40.4	33.9	35.4
Current tax assets	9.7	13.8	10.0
Derivative financial instruments	0.3	1.2	1.6
Restricted cash	2.8	2.8	2.8
	<b>830.4</b>	<b>883.0</b>	<b>992.6</b>
<b>Total assets</b>	<b>5,063.6</b>	<b>5,003.2</b>	<b>4,885.8</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	64.6	125.6	103.4
Trade and other payables	646.0	634.4	559.4
Provisions	10.3	16.2	1.2
Current tax liabilities	125.7	130.2	118.0
Lease obligations	13.0	–	–
Derivative financial instruments	1.9	7.9	11.0
	<b>861.5</b>	<b>914.3</b>	<b>793.0</b>
<b>Non-current liabilities</b>			
Borrowings	2,445.9	2,439.9	2,413.7
Other payables	24.3	25.0	25.9
Provisions	9.8	9.7	2.8
Deferred tax liabilities	232.3	238.4	212.9
Lease obligations	75.2	–	–
Derivative financial instruments	102.5	127.8	204.2
	<b>2,890.0</b>	<b>2,840.8</b>	<b>2,859.5</b>
<b>Total liabilities</b>	<b>3,751.5</b>	<b>3,755.1</b>	<b>3,652.5</b>
<b>Net assets</b>	<b>1,312.1</b>	<b>1,248.1</b>	<b>1,233.3</b>
<b>Shareholders' equity</b>			
Ordinary shares	0.3	0.3	0.3
Share premium	745.4	745.4	700.4
Other reserves	101.0	92.0	68.0
Retained earnings	464.7	409.8	463.8
<b>Equity attributable to shareholders</b>	<b>1311.4</b>	<b>1,247.5</b>	<b>1232.5</b>
<b>Non-controlling interest</b>	<b>0.7</b>	<b>0.6</b>	<b>0.8</b>
<b>Total equity</b>	<b>1312.1</b>	<b>1,248.1</b>	<b>1,233.3</b>

<sup>1</sup> Cash and cash on deposits with maturity at acquisition of less than 3 months.

<sup>2</sup> Short-term deposits are cash held on deposit with maturity at acquisition of between 3 and 12 months.

# INMARSAT PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

(\$ in millions)	Share capital	Share premium	Share option reserve	Cash flow hedge reserve	Other <sup>1</sup>	Retained earnings restated	NCI <sup>2</sup>	Total restated
<b>Balance at 1 January 2017 (audited)</b>	<b>0.3</b>	<b>700.4</b>	<b>87.9</b>	<b>(23.3)</b>	<b>(2.8)</b>	<b>467.5</b>	<b>0.6</b>	<b>1,230.6</b>
Share-based payments <sup>3</sup>	–	–	3.9	–	–	2.1	–	6.0
<i>Comprehensive Income:</i>								
Profit for the year	–	–	–	–	–	(5.8)	0.2	(5.6)
OCI <sup>4</sup> – before tax	–	–	–	2.5	(0.2)	–	–	2.3
<b>Balance at 31 March 2017 (unaudited)</b>	<b>0.3</b>	<b>700.4</b>	<b>91.8</b>	<b>(20.8)</b>	<b>(3.0)</b>	<b>463.8</b>	<b>0.8</b>	<b>1,233.3</b>
<b>Balance at 1 January 2018 (unaudited)</b>	<b>0.3</b>	<b>745.4</b>	<b>102.5</b>	<b>(7.7)</b>	<b>(2.8)</b>	<b>409.8</b>	<b>0.6</b>	<b>1,248.1</b>
Share-based payments <sup>3</sup>	–	–	3.6	–	–	1.4	–	5.0
<i>Comprehensive Income:</i>								
Profit for the year	–	–	–	–	–	53.5	0.1	53.6
OCI <sup>4</sup> – before tax	–	–	–	5.2	0.2	–	–	5.4
OCI <sup>4</sup> – tax	–	–	–	–	–	–	–	–
<b>Balance at 31 March 2018 (unaudited)</b>	<b>0.3</b>	<b>745.4</b>	<b>106.1</b>	<b>(2.5)</b>	<b>(2.6)</b>	<b>464.7</b>	<b>0.7</b>	<b>1,312.1</b>

<sup>1</sup> The 'other' reserve relates to ordinary shares held by the Employee Share Trust debit of \$2.4m (2017: \$2.4m), the currency reserve debit of \$0.8m (2017: \$1.2m) and the revaluation reserve of \$0.6m (2017: \$0.6m).

<sup>2</sup> Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf..

<sup>3</sup> Represents the fair value of share option awards recognised in the period.

<sup>4</sup> OCI refers to Other Comprehensive Income.

**INMARSAT PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**For the three months ended 31 March (unaudited)**

(\$ in millions)	2018	2017 (restated)
<b>Cash flow from operating activities</b>		
Cash generated from operations	148.0	187.2
Interest received	0.6	0.6
Tax refunded/(paid)	1.6	(13.7)
<b>Net cash inflow from operating activities</b>	<b>150.2</b>	<b>174.1</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(105.1)	(116.8)
Additions to intangible assets	(25.2)	(6.0)
Own work capitalised	(11.0)	(11.6)
Short-term cash deposits >3 months	143.7	(20.0)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>2.4</b>	<b>(154.4)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	–	–
Repayment of borrowings	(61.1)	(40.4)
Interest paid	(22.1)	(21.9)
Arrangement costs of financing	(0.6)	(1.1)
Cash payments for the principal portion of the lease obligations	(3.0)	–
Net proceeds from the issue of ordinary shares	–	–
Other financing activities	(0.5)	0.3
<b>Net cash used in financing activities</b>	<b>(87.3)</b>	<b>(63.1)</b>
Foreign exchange adjustment	1.2	(1.3)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>66.5</b>	<b>(44.7)</b>
<b>Cash and cash equivalents</b>		
At beginning of the period	144.6	261.5
Net increase/(decrease) in cash and cash equivalents	66.5	(44.7)
<b>At end of the period (net of bank overdrafts)</b>	<b>211.1</b>	<b>216.8</b>
<b>Comprising:</b>		
Cash at bank and in hand	127.0	51.1
Short-term deposits with original maturity less than 3 months	84.5	166.1
<b>Cash and cash equivalents</b>	<b>211.5</b>	<b>217.2</b>
Bank overdrafts	(0.4)	(0.4)
<b>Net cash and cash equivalents at end of period</b>	<b>211.1</b>	<b>216.8</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 and Wales.

### 2. Principal accounting policies

#### *Basis of preparation*

The condensed consolidated interim financial statements for the three months ended 31 March 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 1 May 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 plc 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 and IFRS9. 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;

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.

(\$ in millions)	Q1 2018	Q1 2017 (restated)
<b>Revenues</b>		
Maritime	142.0	139.8
Government	78.3	86.0
Aviation	56.0	40.3
Enterprise	32.7	29.4
Central Services <sup>1</sup>	36.4	34.0
<b>Total revenues</b>	<b>345.4</b>	<b>329.5</b>
<b>EBITDA</b>		
Maritime	109.6	112.1
Government	53.3	64.3
Aviation	33.6	25.3
Enterprise	21.6	22.1
Central Services <sup>1</sup>	(43.2)	(40.7)
<b>EBITDA</b>	<b>174.9</b>	<b>183.1</b>
Depreciation and amortisation	(116.0)	(97.7)
Other	0.5	0.4
<b>Operating profit</b>	<b>59.4</b>	<b>85.8</b>
Net financing costs	(3.4)	(84.5)
<b>Profit before tax</b>	<b>56.0</b>	<b>1.3</b>
Taxation charge	(2.4)	(6.9)
<b>Profit/(loss) for the period</b>	<b>53.6</b>	<b>(5.6)</b>
<b>Cash capital expenditure</b>		
Maritime	11.4	11.4
Government	1.4	3.1
Aviation	19.8	49.0
Enterprise	–	–
Central Services	108.7	70.9
<b>Total cash capital expenditure</b>	<b>141.3</b>	<b>134.4</b>
Financing costs capitalised in the cost of qualifying assets	6.2	10.3
Cash flow timing	52.1	5.8
<b>Total capital expenditure</b>	<b>199.6</b>	<b>150.5</b>

<sup>1</sup> Central Services includes revenue and EBITDA from Ligado

#### 4. Net financing costs

(\$ in millions)	Q1 2018	Q1 2017 (restated)
Bank interest receivable and other interest	(1.9)	(2.3)
<b>Total financing income</b>	<b>(1.9)</b>	<b>(2.3)</b>
Interest on Senior Notes and credit facilities	23.4	23.7
Interest on Convertible Bonds	9.5	9.2
Amortisation of debt issue costs	3.0	4.0
Amortisation of discount on Senior Notes due 2022	0.3	0.3
Amortisation of discount on deferred satellite liabilities	0.1	0.1
Net interest on the net pension asset and post-employment liability	-	0.7
Other interest	(0.6)	0.8
<b>Total financing cost</b>	<b>35.7</b>	<b>38.8</b>
Less: Amounts capitalised in the cost of qualifying assets	(6.2)	(10.3)
<b>Financing costs excluding derivative adjustments</b>	<b>29.5</b>	<b>28.5</b>
Change in fair value of derivative liability component of the 2023 Convertible Bonds	(24.2)	58.3
<b>Net financing costs</b>	<b>3.4</b>	<b>84.5</b>

#### 5. Taxation

(\$ in millions)	Q1 2018	Q1 2017 (restated)
<b>Current tax:</b>		
Current period	(1.5)	5.5
Adjustments in respect of prior periods	-	(3.1)
<b>Total current tax</b>	<b>(1.5)</b>	<b>2.4</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	11.1	4.5
Adjustments relating to changes in tax rates	-	-
Adjustments in respect of prior periods	(7.2)	-
<b>Total deferred tax</b>	<b>3.9</b>	<b>4.5</b>
<b>Total taxation charge</b>	<b>2.4</b>	<b>6.9</b>

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

## 6. Net Borrowings

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

(\$ in millions)	At 31 March 2018			At 31 December 2017		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
<b>Current:</b>						
Bank overdrafts	0.4	–	0.4	0.3	–	0.3
Deferred satellite payments	3.1	–	3.1	3.1	–	3.1
Ex-Im Bank Facilities	61.1	–	61.1	122.2	–	122.2
<b>Total current borrowings</b>	<b>64.6</b>	<b>–</b>	<b>64.6</b>	<b>125.6</b>	<b>–</b>	<b>125.6</b>
<b>Non-current:</b>						
Deferred satellite payments	5.2	–	5.2	5.6	–	5.6
Senior Notes due 2022	1,000.0	(4.7)	995.3	1,000.0	(5.1)	994.9
– Net issuance discount	(4.2)	–	(4.2)	(4.5)	–	(4.5)
Senior Notes due 2024	400.0	(4.7)	395.3	400.0	(4.9)	395.1
Ex-Im Bank Facilities	508.7	(12.8)	495.9	508.7	(14.9)	493.8
Convertible Bonds due 2023	561.6	(6.4)	555.2	549.2	(6.6)	542.6
– Accretion of principal	3.2	–	3.2	12.4	–	12.4
<b>Total non-current borrowings</b>	<b>2,474.5</b>	<b>(28.6)</b>	<b>2,445.9</b>	<b>2,471.4</b>	<b>(31.5)</b>	<b>2,439.9</b>
<b>Total borrowings</b>	<b>2,539.1</b>	<b>(28.6)</b>	<b>2,510.5</b>	<b>2,597.0</b>	<b>(31.5)</b>	<b>2,565.5</b>
Cash and cash equivalents	(211.5)	–	(211.5)	(144.9)	–	(144.9)
Short-term deposits	(198.3)	–	(198.3)	(342.0)	–	(342.0)
<b>Net borrowings</b>	<b>2,129.3</b>	<b>(28.6)</b>	<b>2,100.7</b>	<b>2,110.1</b>	<b>(31.5)</b>	<b>2,078.6</b>

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 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.

The fair values at the Balance Sheet date were:

(\$ in millions)	At 31 March 2018	At 31 December 2017
<b>Financial assets:</b>		
Forward foreign currency contracts – designated cash flow hedges	0.4	1.5
Forward foreign currency contracts – undesignated cash flow hedges	–	–
<b>Total derivative financial assets</b>	<b>0.4</b>	<b>1.5</b>
<b>Financial liabilities:</b>		
Conversion liability component of 2023 Convertible Bond	(101.4)	(125.7)
Forward foreign currency contracts– designated cash flow hedges	(2.9)	(9.9)
Forward foreign currency contracts – undesignated cash flow hedges	(0.1)	(0.1)
<b>Total derivative financial liabilities</b>	<b>(104.4)</b>	<b>(135.7)</b>
<b>Net derivative financial liability</b>	<b>(104.0)</b>	<b>(134.2)</b>

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 31 March 2018, the fair value of the Convertible Bond was \$666.2m and the accreted balance of the cash debt component was \$564.8m, meaning the conversion liability was valued at \$101.4m. As shown in the table below, the movement in the conversion liability from December 2017 to 31 March 2018 of \$24.2m has been recognised in the income statement through net financing costs:

(\$ in millions)	At 31 March 2018	At 31 December 2017	On issuance
Cash debt component	564.8	561.6	545.5
Conversion liability component	101.4	125.7	104.5
<b>Total fair value</b>	<b>666.2</b>	<b>687.3</b>	<b>650.0</b>

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.

(\$ in millions)	At 31 March 2018		At 31 December 2017	
	Carrying Value	Fair value	Carrying value	Fair value
<b>Financial liabilities:</b>				
Senior Notes due 2022	1,000.0	982.3	1,000.0	1,000.8
Senior Notes due 2024	400.0	409.3	400.0	408.1
Ex-Im Bank Facilities	569.8	570.1	630.9	639.7
Convertible Bonds due 2023	564.8	666.2	561.6	687.3

## 8. Dividends

The Inmarsat plc Board of Directors intends to recommend a final dividend of 12 cents per ordinary share in respect of the year ended 31 December 2017 to be paid on 25 May 2018 to ordinary shareholders on the share register at the close of business on 20 April 2018. The 2017 final dividend is not recorded as a liability for the period ended 31 March 2018.

## 9. Earnings per share

Earnings per share for the three months ended 31 March 2018 has been calculated based on the profit or loss 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.

(\$ in millions)	Q1 2018	Q1 2017 (restated)
<b>Profit attributable to equity holders of the Company</b>	<b>53.5</b>	<b>(5.8)</b>
(millions)		
Weighted average number of ordinary shares in issue	457.7	452.1
Potentially dilutive ordinary shares	4.7	4.8
<b>Weighted average number of diluted ordinary shares</b>	<b>462.4</b>	<b>456.9</b>
(\$ per share)		
<b>Basic earnings per share</b>	<b>0.12</b>	<b>(0.01)</b>
<b>Diluted earnings per share</b>	<b>0.12</b>	<b>(0.01)</b>

## 10. Adjusted earnings per share

Adjusted earnings per share for the three months ended 31 March 2018 has been calculated based on profit attributable to equity holders adjusted for the impact of the change in the fair value of the conversion liability component of the 2023 Convertible Bonds.

	Q1 2018	Q1 2017 (restated)
(\$ in millions)		
<b>Profit attributable to equity holders of the Company</b>	<b>53.5</b>	<b>(5.8)</b>
Adjusted for:		
(Decrease)/increase in fair value of conversion liability component of 2023 Convertible Bonds	(24.2)	58.3
<b>Adjusted profit attributable to equity holders of the Company</b>	<b>29.3</b>	<b>52.5</b>
(millions)		
Weighted average number of ordinary shares in issue	457.7	452.1
Potentially dilutive ordinary shares	4.7	4.8
<b>Weighted average number of diluted ordinary shares</b>	<b>462.4</b>	<b>456.9</b>
(\$ per share)		
<b>Basic adjusted earnings per share</b>	<b>0.06</b>	<b>0.12</b>
<b>Diluted adjusted earnings per share</b>	<b>0.06</b>	<b>0.11</b>

## 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 are no material contingent liabilities requiring disclosure at 31 March 2018.

## 12. Events after the balance sheet date

There have been no 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, including Appendix 1 Alternative Performance Measures and Appendix 2 Changes in Accounting Policy, 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 three months and description of principal risks and uncertainties for the remaining nine 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](http://www.inmarsat.com).

By order of the Board,

Rupert Pearce  
Chief Executive Officer  
1 May 2018

Tony Bates  
Chief Financial Officer  
1 May 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 8.
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. Please refer to page 8 for the reconciliation to Profit after tax.
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 9.
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. In the current quarter this has been calculated by taking the tax charge (\$2.4m) add prior year adjustments (\$7.2m) and less revaluation of deferred tax balances (\$4.0m) divided by PBT (\$56m) adjusted for the impact of the unrealised conversion liability of the convertible bonds (\$24.2m).

## 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:

(\$ in millions)	Q1 2017		
	Reported	IFRS 15	Restated
<b>Revenues</b>	<b>332.2</b>	<b>(2.7)</b>	<b>329.5</b>
Other operating costs	(47.4)	4.3	43.1
<b>EBITDA</b>	<b>181.5</b>	<b>1.6</b>	<b>183.1</b>
Depreciation and amortisation	(96.5)	(1.2)	(97.7)
<b>Operating profit</b>	<b>85.4</b>	<b>0.4</b>	<b>85.8</b>
Financing income	2.0	0.3	2.3
<b>Profit before tax</b>	<b>0.6</b>	<b>0.7</b>	<b>1.3</b>
Tax	(6.7)	(0.2)	(6.9)
<b>Profit after tax</b>	<b>(6.1)</b>	<b>0.5</b>	<b>(5.6)</b>
<b>Total comprehensive income</b>	<b>(3.8)</b>	<b>0.5</b>	<b>(3.3)</b>

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 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.

(\$ in millions)	As at 31 March 2017			As at 31 December 2017		
	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
<b>Non-current assets</b>						
Property, plant and equipment	3,041.3	11.6	3,052.9	3,236.6	18.9	3,255.5
Deferred income tax asset	40.3	–	40.3	35.6	(0.2)	35.4
<b>Current assets</b>						
Trade and other receivables	296.1	14.5	310.6	319.4	25.0	344.4
<b>Total assets</b>	<b>4,859.7</b>	<b>26.1</b>	<b>4,885.8</b>	<b>4,959.5</b>	<b>43.7</b>	<b>5,003.2</b>
<b>Current liabilities</b>						
Trade and other payables	524.3	35.1	559.4	584.6	49.8	634.4
<b>Non-current liabilities</b>						
Deferred income tax liabilities	212.7	0.2	212.9	237.3	1.1	238.4
<b>Total liabilities</b>	<b>3,617.2</b>	<b>35.3</b>	<b>3,652.5</b>	<b>3,704.2</b>	<b>50.9</b>	<b>3,755.1</b>
<b>Net assets (Equity)</b>	<b>1,242.5</b>	<b>(9.2)</b>	<b>1,233.3</b>	<b>1,255.3</b>	<b>(7.2)</b>	<b>1,248.1</b>

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 \$14.5m 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 \$9.2m as at the 31 March 2017.



**Cash flow as at 31 March 2017**

(\$ in millions)	Reported	IFRS15	Restated
Cash generated from operations	183.0	4.2	187.2
<b>Net cash inflow from operating activities</b>	<b>169.9</b>	<b>4.2</b>	<b>174.1</b>
Purchase of property, plant and equipment	(112.6)	(4.2)	(116.8)
<b>Net cash used in investing activities</b>	<b>19.8</b>	<b>(4.2)</b>	<b>15.6</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>125.3</b>	<b>–</b>	<b>125.3</b>

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.

**Balance Sheet as at 1 January 2018**

(\$ in millions)	Reported	IFRS16	Post IFRS16
<b>Non-current assets</b>			
Right of use asset	-	75.7	75.7
<b>Total assets</b>	<b>4,959.5</b>	<b>75.7</b>	<b>5,035.2</b>
<b>Current liabilities</b>			
Trade and other payables	584.6	(11.5)	573.1
Obligations under finance leases	-	13.1	13.1
<b>Non-current liabilities</b>			
Obligations under finance leases	-	74.1	74.1
<b>Total liabilities</b>	<b>3,704.2</b>	<b>75.7</b>	<b>3,779.9</b>
<b>Net assets (Equity)</b>	<b>1,255.3</b>	<b>-</b>	<b>1,255.3</b>

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 \$2.3m in the quarter from lease-related costs being accounted for as depreciation and interest rather than indirect costs. Overall PBT was negatively impacted by \$1.3m due to the phasing of depreciation over the life of the lease.

***IFRS9 ‘Financial Instruments’***

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

***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 Q1 2017 have been restated and short term deposits have increased by \$170.0m to \$415.0m and cash & cash equivalents have decreased by \$170.0m to \$217.2m. The overall impact on current assets is zero. There corresponding impact on the cash flow statement can be seen in the table below:

(\$ in millions)	Cash flow as at 31 March 2017		
	Reported <sup>1</sup>	Adj	Restated
Short-term cash deposits >3 months	150.0	(170.0)	(20.0)
<b>Net cash used in investing activities</b>	<b>15.6</b>	<b>(170.0)</b>	<b>154.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>125.3</b>	<b>(170.0)</b>	<b>(44.7)</b>

<sup>1</sup> The reported numbers in the table above have been adjusted for the impact of IFRS15 which is discussed earlier in this appendix.