

## Inmarsat Group Limited reports Third Quarter Results 2018

### Financial Headlines:

\$ in millions	Third Quarter ended 30 September				Nine months ended 30 September			
	2018	2017 (restated) <sup>1</sup>	Change	Change (%)	2018	2017 (restated) <sup>1</sup>	Change	Change (%)
<b>Group revenue</b>	<b>369.3</b>	<b>356.2</b>	<b>13.1</b>	<b>3.7%</b>	<b>1,086.5</b>	<b>1,039.9</b>	<b>46.6</b>	<b>4.5%</b>
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 <sup>2</sup>	36.3	35.6	0.7	2.0%	108.8	106.5	2.3	2.2%
<b>EBITDA<sup>3</sup></b>	<b>205.8</b>	<b>195.7</b>	<b>10.1</b>	<b>5.2%</b>	<b>578.7</b>	<b>576.1</b>	<b>2.6</b>	<b>0.5%</b>
<b>PAT</b>	<b>52.2</b>	<b>61.4</b>	<b>(9.2)</b>	<b>(15.0%)</b>	<b>136.6</b>	<b>178.1</b>	<b>(41.5)</b>	<b>(23.3%)</b>

### 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** increased by \$10.1m, or 5.2%, to \$205.8m reflecting higher revenues, particularly from Aviation, and lower costs

### 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.

<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 document 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 ('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.

## OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of the operations and financial condition of Inmarsat Group Limited (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
<b>Revenue</b>						
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%
<b>Total revenue</b>	<b>369.3</b>	<b>356.2</b>	<b>3.7%</b>	<b>1,086.5</b>	<b>1,039.9</b>	<b>4.5%</b>
Direct costs	(61.4)	(47.2)	(30.1%)	(179.6)	(133.7)	(34.3%)
<b>Gross Margin</b>	<b>307.9</b>	<b>309.0</b>	<b>(0.4%)</b>	<b>906.9</b>	<b>906.2</b>	<b>0.1%</b>
Indirect costs	(102.1)	(113.3)	9.9%	(328.2)	(330.1)	0.6%
<b>EBITDA</b>	<b>205.8</b>	<b>195.7</b>	<b>5.2%</b>	<b>578.7</b>	<b>576.1</b>	<b>0.5%</b>
<i>EBITDA margin %</i>	55.7%	54.9%		53.3%	55.4%	
<b>Cash capex</b>	<b>157.5</b>	<b>101.0</b>	<b>(55.9%)</b>	<b>415.3</b>	<b>409.2</b>	<b>(1.5%)</b>

Group revenue in Q3 2018 increased by \$13.1m, driven mainly by growth in Aviation. Ligado revenue (and EBITDA) were 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 \$11.2m lower, reflecting both timing issues and reduced expenditure in a number of areas.

EBITDA increased by \$10.1m and EBITDA margin increased to 55.7%, from 54.9% 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 GX-5 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

(\$ in millions)	Third Quarter ended 30 September			Nine months ended 30 September		
	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%)
<b>Gross Margin</b>	<b>117.2</b>	<b>123.4</b>	<b>(5.0%)</b>	<b>355.7</b>	<b>362.6</b>	<b>(1.9%)</b>
Indirect costs	(8.5)	(9.1)	6.6%	(29.1)	(25.6)	(13.7%)
<b>EBITDA</b>	<b>108.7</b>	<b>114.3</b>	<b>(4.9%)</b>	<b>326.6</b>	<b>337.0</b>	<b>(3.1%)</b>
<i>EBITDA margin %</i>	<i>80.5%</i>	<i>79.9%</i>	–	<i>78.3%</i>	<i>79.7%</i>	–
Cash capex	(13.0)	(11.7)	(11.1%)	(37.0)	(35.0)	(5.7%)
<b>Business Unit Operating Cash Flow</b>	<b>95.7</b>	<b>102.6</b>	<b>(6.7%)</b>	<b>289.6</b>	<b>302.0</b>	<b>(4.1%)</b>

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			Nine months ended 30 September		
	2018	2017 (restated)	Change	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%
<b>Gross Margin</b>	<b>80.3</b>	<b>76.0</b>	<b>5.7%</b>	<b>230.8</b>	<b>236.3</b>	<b>(2.3%)</b>
Indirect costs	(10.4)	(11.4)	8.8%	(31.7)	(33.9)	6.5%
<b>EBITDA</b>	<b>69.9</b>	<b>64.6</b>	<b>8.2%</b>	<b>199.1</b>	<b>202.4</b>	<b>(1.6%)</b>
<i>EBITDA margin %</i>	<i>73.4%</i>	<i>73.1%</i>	—	<i>71.5%</i>	<i>73.4%</i>	—
Cash capex	(0.4)	(2.5)	84.0%	(2.1)	(7.4)	71.6%
<b>Business Unit Operating Cash Flow</b>	<b>69.5</b>	<b>62.1</b>	<b>11.9%</b>	<b>197.0</b>	<b>195.0</b>	<b>1.0%</b>

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			Nine months ended 30 September		
	2018	2017 (restated)	Change	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%)
<b>Gross Margin</b>	<b>52.1</b>	<b>44.9</b>	<b>16.0%</b>	<b>145.8</b>	<b>126.6</b>	<b>15.2%</b>
Indirect costs	(15.6)	(19.4)	19.6%	(49.4)	(50.7)	2.6%
<b>EBITDA</b>	<b>36.5</b>	<b>25.5</b>	<b>43.1%</b>	<b>96.4</b>	<b>75.9</b>	<b>27.0%</b>
<i>EBITDA margin %</i>	<i>53.5%</i>	<i>50.1%</i>	–	<i>52.5%</i>	<i>56.6%</i>	–
Cash capex	(10.7)	(30.4)	64.8%	(39.6)	(115.8)	65.8%
<b>Business Unit Operating Cash Flow</b>	<b>25.8</b>	<b>(4.9)</b>	<b>626.5%</b>	<b>56.8</b>	<b>(39.9)</b>	<b>242.4%</b>

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

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

### **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. Furthermore, going forward, 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

(\$ in millions)	Third Quarter ended 30 September			Nine months ended 30 September		
	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%)
<b>Gross Margin</b>	<b>27.3</b>	<b>30.8</b>	<b>(11.4%)</b>	<b>79.1</b>	<b>83.4</b>	<b>(5.2%)</b>
Indirect costs	(5.4)	(4.2)	(28.6%)	(16.5)	(13.2)	(25.0%)
<b>EBITDA</b>	<b>21.9</b>	<b>26.6</b>	<b>(17.7%)</b>	<b>62.6</b>	<b>70.2</b>	<b>(10.8%)</b>
<i>EBITDA margin %</i>	<i>63.3%</i>	<i>69.6%</i>	–	<i>63.5%</i>	<i>69.9%</i>	–
Cash capex	–	(0.1)	–	–	(0.2)	–
<b>Business Unit Operating Cash Flow</b>	<b>21.9</b>	<b>26.5</b>	<b>(17.4%)</b>	<b>62.6</b>	<b>70.0</b>	<b>(10.6%)</b>

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			Nine months ended 30 September		
	2018	2017 (restated)	Change	2018	2017 (restated)	Change
<b>Revenue</b>						
Ligado Networks	32.9	32.4	1.5%	97.7	96.1	1.7%
Other	3.4	3.2	6.2%	11.1	10.4	6.7%
<b>Total Revenue</b>	<b>36.3</b>	<b>35.6</b>	<b>2.0%</b>	<b>108.8</b>	<b>106.5</b>	<b>2.2%</b>
Direct costs	(5.3)	(1.7)	(211.8%)	(13.3)	(9.2)	(44.6%)
<b>Gross Margin</b>	<b>31.0</b>	<b>33.9</b>	<b>(8.6%)</b>	<b>95.5</b>	<b>97.3</b>	<b>(1.8%)</b>
Indirect costs	(62.2)	(69.2)	10.1%	(201.5)	(206.7)	2.5%
<b>EBITDA</b>	<b>(31.2)</b>	<b>(35.3)</b>	<b>11.6%</b>	<b>(106.0)</b>	<b>(109.4)</b>	<b>3.1%</b>
Cash capex	(133.4)	(58.1)	(129.6%)	(336.6)	(250.8)	(34.2%)
<b>Business Unit Operating Cash Flow</b>	<b>(164.6)</b>	<b>(93.4)</b>	<b>(76.2%)</b>	<b>(442.6)</b>	<b>(360.2)</b>	<b>(22.9%)</b>



Revenue and EBITDA from Ligado was flat at \$32.9m in Q3 2018, in line with the terms of our 2016 agreement.

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

Indirect costs decreased by \$7.0m 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 5<sup>th</sup> GX satellite and the I-6 satellite infrastructure.

### Reconciliation of EBITDA to profit after tax

(\$ in millions)	Third Quarter ended 30 September			Nine months ended 30 September		
	2018	2017 (restated)	Change	2018	2017 (restated)	Change
<b>EBITDA</b>	<b>205.8</b>	<b>195.7</b>	<b>5.2%</b>	<b>578.7</b>	<b>576.1</b>	<b>0.5%</b>
Depreciation and amortisation	(115.0)	(103.4)	(11.2%)	(347.5)	(297.5)	(16.8%)
Other	(6.6)	(3.0)	(120.0%)	(6.4)	(3.4)	(88.2%)
<b>Operating profit</b>	<b>84.2</b>	<b>89.3</b>	<b>(5.7%)</b>	<b>224.8</b>	<b>275.2</b>	<b>(18.3%)</b>
Net financing costs	(19.0)	(15.7)	(21.0%)	(59.6)	(60.3)	1.2%
Taxation charge	(13.0)	(12.2)	(6.6%)	(28.6)	(36.8)	22.3%
<b>Profit after tax</b>	<b>52.2</b>	<b>61.4</b>	<b>(15.0%)</b>	<b>136.6</b>	<b>178.1</b>	<b>(23.3%)</b>

### Operating profit

Operating profit for the quarter ended 30 September 2018 decreased by \$5.1m to \$84.2m. This was driven by this increase in EBITDA of \$10.1m 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 cost

Net financing costs increased by \$3.3m to \$19.0m for the quarter due to an increase in net debt and a reduction in capitalised interest.

### Taxation

The tax charge has increased marginally by \$0.8m in the third quarter to \$13.0m. The effective tax rate reported for the quarter was 19.9% (2017 restated: 16.6%), reflecting 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. This cost is substantially provided for and the enquiries remain ongoing at this time.

### Profit after tax ("PAT")

Statutory PAT decreased by \$9.2m in the quarter, reflecting the changes in EBITDA, depreciation, financing costs and taxation noted above.

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

(\$ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
<b>EBITDA</b>	<b>205.8</b>	<b>195.7</b>	<b>578.7</b>	<b>576.1</b>
Non-cash items	3.9	6.9	1.9	16.5
Change in working capital	(0.6)	(35.7)	(53.6)	(26.7)
<b>Cash generated from operations</b>	<b>209.1</b>	<b>166.9</b>	<b>527.0</b>	<b>565.9</b>
Capital expenditure	(157.5)	(101.0)	(415.3)	(409.2)
Net interest paid	(5.4)	(2.7)	(59.5)	(52.3)
Tax paid	2.5	(1.5)	3.9	(18.1)
<b>Free cash flow</b>	<b>48.7</b>	<b>61.7</b>	<b>56.1</b>	<b>86.3</b>
Dividends paid to shareholders	(45.9)	(87.9)	(97.3)	(207.8)
Other movement including foreign exchange	(0.1)	(4.4)	1.4	(7.0)
<b>Net cash flow</b>	<b>2.7</b>	<b>(30.6)</b>	<b>(39.8)</b>	<b>(128.5)</b>
Increase/(decrease) to cash reclassified from short-term deposits	120.6	132.7	291.1	112.7
Increase/(decrease) in cash from borrowings	(67.6)	(39.5)	(136.1)	(81.9)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>55.7</b>	<b>62.6</b>	<b>115.2</b>	<b>(97.7)</b>
<b>Cash and cash equivalents</b>				
At beginning of the period	202.4	98.9	142.9	259.2
Net increase/(decrease) in cash and cash equivalents	55.7	62.6	115.2	(97.7)
<b>Sub-total (net of bank overdrafts)</b>	<b>258.1</b>	<b>161.5</b>	<b>258.1</b>	<b>161.5</b>
<b>Short term deposits</b>				
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)
<b>Sub-total</b>	<b>50.9</b>	<b>282.3</b>	<b>50.9</b>	<b>282.3</b>
<b>Total cash, cash equivalents and short term deposits</b>	<b>309.0</b>	<b>443.8</b>	<b>309.0</b>	<b>443.8</b>
<b>Opening net borrowings<sup>2</sup></b>				
	<b>2,010.8</b>	<b>1,893.9</b>	<b>1,963.3</b>	<b>1,711.5</b>
Net cash flow	(2.7)	30.6	39.8	128.5
Non-cash movements <sup>3</sup>	(423.1)	(2.4)	(418.1)	82.1
<b>Closing net borrowings<sup>2</sup></b>	<b>1,585.0</b>	<b>1,922.1</b>	<b>1,585.0</b>	<b>1,922.1</b>

Free cash flow decreased by \$13.0m for the quarter ended 30 September 2018 mainly reflecting the increase in EBITDA, improved working capital requirements and lower taxation, but also higher capital expenditure of \$56.5m.

The reduction of \$35.1m 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.

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

<sup>2</sup> Net borrowings includes 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 primarily to the amortisation of deferred financing costs.

## Capital Expenditure

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

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 GX-5.

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.

### Group Liquidity and Capital Resources

At 30 September 2018, the Group had over \$1 billion in available liquidity, including cash and cash equivalents of \$258.1m, 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 in the Inmarsat Group Limited Annual Report and Accounts.

### Related Party Transactions

There have been no material changes in the related party transactions described in the 2017 Inmarsat Group Limited Annual Report and Accounts.

<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

<sup>5</sup> "Other capex" investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.

<sup>6</sup> Cash flow timing represents the difference between accrued capex and the actual cash flows

**INMARSAT GROUP LIMITED**  
**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) <sup>1</sup>	2018	2017 (restated) <sup>1</sup>
<b>Revenues</b>	<b>369.3</b>	<b>356.2</b>	<b>1,086.5</b>	<b>1,039.9</b>
Employee benefit costs	(71.6)	(76.1)	(218.9)	(212.2)
Network and satellite operations costs	(45.3)	(46.2)	(140.1)	(142.9)
Other operating costs	(55.6)	(51.5)	(177.7)	(145.9)
Own work capitalised	9.0	13.3	28.9	37.2
Total net operating costs	(163.5)	(160.5)	(507.8)	(463.8)
<b>EBITDA</b>	<b>205.8</b>	<b>195.7</b>	<b>578.7</b>	<b>576.1</b>
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
<b>Operating profit</b>	<b>84.2</b>	<b>89.3</b>	<b>224.8</b>	<b>275.2</b>
Financing income	2.2	2.0	6.6	6.3
Financing costs	(21.2)	(17.7)	(66.2)	(66.6)
Net financing costs	(19.0)	(15.7)	(59.6)	(60.3)
<b>Profit before tax</b>	<b>65.2</b>	<b>73.6</b>	<b>165.2</b>	<b>214.9</b>
Taxation charge	(13.0)	(12.2)	(28.6)	(36.8)
<b>Profit for the period</b>	<b>52.2</b>	<b>61.4</b>	<b>136.6</b>	<b>178.1</b>
<b>Attributable to:</b>				
<b>Equity holders</b>	<b>52.0</b>	<b>61.4</b>	<b>136.1</b>	<b>177.8</b>
<b>Non-controlling interest<sup>2</sup></b>	<b>0.2</b>	<b>-</b>	<b>0.5</b>	<b>0.3</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> Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
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)
<b>Profit for the period</b>	<b>52.2</b>	<b>61.4</b>	<b>136.6</b>	<b>178.1</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to the Income Statement:</b>				
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
<b>Items that will not be reclassified subsequently to the Income Statement:</b>				
Remeasurement of the defined benefit asset	–	–	16.0	1.5
Tax credited directly to equity	–	(0.1)	(3.6)	(0.5)
<b>Other comprehensive income for the period, net of tax</b>	<b>2.0</b>	<b>5.6</b>	<b>15.2</b>	<b>15.3</b>
<b>Total comprehensive Income for the period, net of tax</b>	<b>54.2</b>	<b>67.0</b>	<b>151.8</b>	<b>193.4</b>
<b>Attributable to:</b>				
<b>Equity holders</b>	<b>54.0</b>	<b>67.0</b>	<b>151.3</b>	<b>193.1</b>
<b>Non-controlling interest</b>	<b>0.2</b>	<b>–</b>	<b>0.5</b>	<b>0.3</b>

**INMARSAT GROUP LIMITED**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (unaudited)**

	30 September 2018 (unaudited)	31 December 2017 (restated)	30 September 2017 (restated & unaudited)
(\$ in millions)			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,311.0	3,258.2	3,163.8
Intangible assets	776.8	788.9	776.5
Investments	17.9	16.2	15.2
Right of Use Assets	64.9	–	–
Other receivables	23.3	23.9	17.7
Deferred tax asset	27.3	35.4	41.6
Derivative financial instruments	–	0.3	–
	<b>4,221.2</b>	<b>4,122.9</b>	<b>4,014.8</b>
<b>Current assets</b>			
Cash and cash equivalents	258.8	143.2	162.0
Short-term deposits	50.9	342.0	282.3
Trade and other receivables	365.2	371.6	358.0
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	2.4	2.3	2.3
	<b>736.5</b>	<b>908.0</b>	<b>850.6</b>
<b>Total assets</b>	<b>4,957.7</b>	<b>5,030.9</b>	<b>4,865.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	124.6	563.6	535.7
Trade and other payables	749.1	622.5	584.0
Provisions	6.2	16.2	1.6
Current tax liabilities	155.1	148.7	153.3
Derivative financial instruments	3.8	7.9	10.0
Lease obligations	12.5	–	–
	<b>1,051.3</b>	<b>1,358.9</b>	<b>1,284.6</b>
<b>Non-current liabilities</b>			
Borrowings	1,770.1	1,884.9	1,830.7
Other payables	18.4	25.0	27.6
Provisions	9.1	9.7	14.0
Deferred tax liabilities	244.0	236.2	223.2
Derivative financial instruments	1.4	2.1	2.9
Lease obligations	61.2	–	–
	<b>2,104.2</b>	<b>2,157.9</b>	<b>2,098.4</b>
<b>Total liabilities</b>	<b>3,155.5</b>	<b>3,516.8</b>	<b>3,383.0</b>
<b>Net assets</b>	<b>1,802.2</b>	<b>1,514.1</b>	<b>1,482.4</b>
<b>Shareholders' equity</b>			
Ordinary shares	0.4	0.4	0.4
Share premium	1,118.4	677.4	677.4
Other reserves	433.6	423.8	420.1
Retained earnings	249.3	411.9	384.2
<b>Equity attributable to shareholders</b>	<b>1,801.7</b>	<b>1,513.5</b>	<b>1,482.1</b>
<b>Non-controlling interest</b>	<b>0.5</b>	<b>0.6</b>	<b>0.3</b>
<b>Total equity</b>	<b>1,802.2</b>	<b>1,514.1</b>	<b>1,482.4</b>

**INMARSAT GROUP LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**For the nine months ended 30 September 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
<b>Balance at 1 January 2017 (audited)</b>	<b>0.4</b>	<b>677.4</b>	<b>92.7</b>	<b>(23.3)</b>	<b>327.4</b>	<b>485.6</b>	<b>0.6</b>	<b>1,560.8</b>
Share-based payments <sup>3</sup>	–	–	9.0	–	–	(0.2)	–	8.8
Dividend declared	–	–	–	–	–	(280.0)	(0.6)	(280.6)
<i>Comprehensive Income:</i>								
Profit for the year	–	–	–	–	–	177.8	0.3	178.1
OCI <sup>4</sup> – before tax	–	–	–	14.0	0.3	1.5	–	15.8
OCI <sup>4</sup> – tax	–	–	–	–	–	(0.5)	–	(0.5)
<b>Balance at 30 September 2017 (unaudited)</b>	<b>0.4</b>	<b>677.4</b>	<b>101.7</b>	<b>(9.3)</b>	<b>327.7</b>	<b>384.2</b>	<b>0.3</b>	<b>1,482.4</b>
<b>Balance at 1 January 2018 (audited)</b>	<b>0.4</b>	<b>677.4</b>	<b>104.0</b>	<b>(7.7)</b>	<b>327.5</b>	<b>411.9</b>	<b>0.6</b>	<b>1,514.1</b>
Share-based payments <sup>3</sup>	–	–	7.0	–	–	0.9	–	7.9
Dividend declared	–	–	–	–	–	(312.0)	(0.6)	(312.6)
Issue of share capital	–	441.0	–	–	–	–	–	441.0
<i>Comprehensive Income:</i>								
Profit for the year	–	–	–	–	–	136.1	0.5	136.6
OCI <sup>4</sup> – before tax	–	–	–	2.9	(0.1)	16.0	–	18.8
OCI <sup>4</sup> – tax	–	–	–	–	–	(3.6)	–	(3.6)
<b>Balance at 30 September 2018 (unaudited)</b>	<b>0.4</b>	<b>1,118.4</b>	<b>111.0</b>	<b>(4.8)</b>	<b>327.4</b>	<b>249.3</b>	<b>0.5</b>	<b>1,802.2</b>

<sup>1</sup> The 'other' reserve relates to the currency reserve debit of \$1.1m (2017: \$nil), the capital contribution reserve of \$327.8m (2017: \$327.8m) and the revaluation reserve of \$0.7m (2017: debit \$0.1m).

<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 GROUP LIMITED**  
**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)
<b>Cash flow from operating activities</b>				
Cash generated from operations	209.1	166.9	527.0	565.9
Interest received	1.8	3.0	4.5	4.5
Tax received/(paid)	2.5	(1.5)	3.9	(18.1)
<b>Net cash inflow from operating activities</b>	<b>213.4</b>	<b>168.4</b>	<b>535.4</b>	<b>552.3</b>
<b>Cash flow from investing activities</b>				
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)
<b>Net cash (used)/generated in investing activities</b>	<b>(36.9)</b>	<b>31.7</b>	<b>(124.2)</b>	<b>(297.6)</b>
<b>Cash flow from financing activities</b>				
Dividends paid to shareholders	(45.9)	(87.9)	(97.3)	(207.8)
Repayment of borrowings	(502.2)	(40.4)	(563.3)	(80.8)
Interest paid	(7.2)	(5.7)	(64.0)	(56.8)
Arrangement costs of financing	(3.8)	–	(4.4)	(1.1)
Proceeds from the issue of ordinary shares	441.1	–	441.1	–
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)
<b>Net cash used in financing activities</b>	<b>(120.7)</b>	<b>(134.7)</b>	<b>(298.3)</b>	<b>(348.1)</b>
Foreign exchange adjustment	(0.1)	(2.8)	2.3	(4.3)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>55.7</b>	<b>62.6</b>	<b>115.2</b>	<b>(97.7)</b>
<b>Cash and cash equivalents</b>				
At beginning of the period	202.4	98.9	142.9	259.2
Net increase/(decrease) in cash and cash equivalents	55.7	62.6	115.2	(97.7)
<b>At end of the period (net of bank overdrafts)</b>	<b>258.1</b>	<b>161.5</b>	<b>258.1</b>	<b>161.5</b>
<b>Comprising:</b>				
Cash at bank and in hand	130.7	54.6	130.7	54.6
Short-term deposits with original maturity of less than three months	128.1	107.4	128.1	107.4
<b>Cash and cash equivalents</b>	<b>258.8</b>	<b>162.0</b>	<b>258.8</b>	<b>162.0</b>
Bank overdrafts	(0.7)	(0.5)	(0.7)	(0.5)
<b>Net cash and cash equivalents at end of period</b>	<b>258.1</b>	<b>161.5</b>	<b>258.1</b>	<b>161.5</b>



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)**

### **1. General information**

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

### **2. Principal accounting policies**

#### *Basis of preparation*

The condensed consolidated interim financial statements for the 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.

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

### **3. Segment information**

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

- Maritime, focusing on worldwide commercial maritime services;
- US Government, focusing on US civil and military government services; and
- Global Government, focusing on worldwide civil and military government services.

### 3. Segment information (continued)

- 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)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
<b>Revenues</b>				
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 <sup>1</sup>	36.3	35.6	108.8	106.5
<b>Total revenues</b>	<b>369.3</b>	<b>356.2</b>	<b>1,086.5</b>	<b>1,039.9</b>
<b>EBITDA</b>				
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 <sup>1</sup>	(31.2)	(35.3)	(106.0)	(109.4)
<b>Total EBITDA</b>	<b>205.8</b>	<b>195.7</b>	<b>578.7</b>	<b>576.1</b>
Depreciation and amortisation	(115.0)	(103.4)	(347.5)	(297.5)
Other	(6.6)	(3.0)	(6.4)	(3.4)
<b>Operating profit</b>	<b>84.2</b>	<b>89.3</b>	<b>224.8</b>	<b>275.2</b>
Net financing costs	(19.0)	(15.7)	(59.6)	(60.3)
<b>Profit before tax</b>	<b>65.2</b>	<b>73.6</b>	<b>165.2</b>	<b>214.9</b>
Taxation charge	(13.0)	(12.2)	(28.6)	(36.8)
<b>Profit for the period</b>	<b>52.2</b>	<b>61.4</b>	<b>136.6</b>	<b>178.1</b>
<b>Cash capital expenditure</b>				
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
<b>Total cash capital expenditure</b>	<b>157.5</b>	<b>101.0</b>	<b>415.3</b>	<b>409.2</b>
Financing costs capitalised in the cost of qualifying assets	10.1	16.4	27.7	35.6
Cash flow timing	(32.4)	8.2	(59.9)	23.1
<b>Total capital expenditure</b>	<b>135.2</b>	<b>125.6</b>	<b>383.1</b>	<b>467.9</b>

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

#### 4. Net financing costs

(\$ in millions)	Third Quarter ended 30 September		Nine months ended 30 September	
	2018	2017 (restated)	2018	2017 (restated)
Bank interest receivable and other interest	(2.2)	(2.0)	(6.6)	(6.3)
<b>Total financing income</b>	<b>(2.2)</b>	<b>(2.0)</b>	<b>(6.6)</b>	<b>(6.3)</b>
Interest on Senior Notes and credit facilities	23.3	23.7	69.7	70.9
Intercompany interest	2.3	7.3	11.3	18.0
Amortisation of debt issue costs	3.9	1.9	9.4	7.9
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	1.3	0.5	2.4	2.5
	<b>31.3</b>	<b>34.1</b>	<b>93.9</b>	<b>102.2</b>
Less: Amounts capitalised in the cost of qualifying assets	(10.1)	(16.4)	(27.7)	(35.6)
<b>Financing costs</b>	<b>21.2</b>	<b>17.7</b>	<b>66.2</b>	<b>66.6</b>
<b>Net financing costs</b>	<b>19.0</b>	<b>15.7</b>	<b>59.6</b>	<b>60.3</b>

#### 5. Net Borrowings

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

(\$ in millions)	At 30 September 2018			At 31 December 2017		
	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
<b>Current:</b>						
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
Intercompany loan	-	-	-	438.0	-	438.0
<b>Total current borrowings</b>	<b>124.6</b>	<b>-</b>	<b>124.6</b>	<b>563.6</b>	<b>-</b>	<b>563.6</b>
<b>Non-current:</b>						
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
<b>Total non-current borrowings</b>	<b>1,787.2</b>	<b>(17.1)</b>	<b>1,770.1</b>	<b>1,909.8</b>	<b>(24.9)</b>	<b>1,884.9</b>
<b>Total borrowings</b>	<b>1,911.8</b>	<b>(17.1)</b>	<b>1,894.7</b>	<b>2,473.4</b>	<b>(24.9)</b>	<b>2,448.5</b>
Cash and cash equivalents	(258.8)	-	(258.8)	(143.2)	-	(143.2)
Short-term deposits	(50.9)	-	(50.9)	(342.0)	-	(342.0)
<b>Net borrowings</b>	<b>1,602.1</b>	<b>(17.1)</b>	<b>1,585.0</b>	<b>1,988.2</b>	<b>(24.9)</b>	<b>1,963.3</b>

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

## 6. Fair value of financial instruments

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

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

The fair values at the Balance Sheet date were:

(\$ in millions)	At 30 September 2018	At 31 December 2017
<b>Financial assets:</b>		
Forward foreign currency contracts – designated cash flow hedges	0.3	1.5
Forward foreign currency contracts – undesignated cash flow hedges	-	-
<b>Total derivative financial assets</b>	<b>0.3</b>	<b>1.5</b>
<b>Financial liabilities:</b>		
Forward foreign currency contracts – designated cash flow hedges	(5.2)	(9.9)
Forward foreign currency contracts – undesignated cash flow hedges	-	(0.1)
<b>Total derivative financial liabilities</b>	<b>(5.2)</b>	<b>(10.0)</b>
<b>Net derivative financial liability</b>	<b>(4.9)</b>	<b>(8.5)</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.

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 30 September 2018		At 31 December 2017	
	Carrying Value	Fair value	Carrying value	Fair value
<b>Financial liabilities:</b>				
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

## 7. Contingent liabilities

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

## 8. Events after the balance sheet date

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 Group Limited are listed on our website at [www.inmarsat.com](http://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 9.
2. Cash Capex	Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. Cash capex indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business. This has been reconciled to total capital expenditure within Note 3.
3. Free Cash Flow	Free Cash Flow represents how much cash is available to pay back borrowings, distribute to investors or invest in the business in future periods. This has been reconciled to the net increase or decrease in cash and cash equivalents on page 10.
4. 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:

(\$ in millions)	Third Quarter ended 30 September			Nine months ended 30 September 2017		
	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
<b>Revenues</b>	<b>358.3</b>	<b>(2.1)</b>	<b>356.2</b>	<b>1,046.5</b>	<b>(6.6)</b>	<b>1,039.9</b>
Other operating costs	(55.6)	4.1	(51.5)	(157.7)	11.8	(145.9)
<b>EBITDA</b>	<b>193.7</b>	<b>2.0</b>	<b>195.7</b>	<b>570.9</b>	<b>5.2</b>	<b>576.1</b>
Depreciation and amortisation	(102.2)	(1.2)	(103.4)	(294.1)	(3.4)	(297.5)
<b>Operating profit</b>	<b>88.5</b>	<b>0.8</b>	<b>89.3</b>	<b>273.4</b>	<b>1.8</b>	<b>275.2</b>
Financing income	1.7	0.3	2.0	5.4	0.9	6.3
<b>Profit before tax</b>	<b>72.5</b>	<b>1.1</b>	<b>73.6</b>	<b>212.2</b>	<b>2.7</b>	<b>214.9</b>
Tax	(11.8)	(0.4)	(12.2)	(36.0)	(0.8)	(36.8)
<b>Profit after tax</b>	<b>60.7</b>	<b>0.7</b>	<b>61.4</b>	<b>176.2</b>	<b>1.9</b>	<b>178.1</b>
<b>Total comprehensive income</b>	<b>66.3</b>	<b>0.7</b>	<b>67.0</b>	<b>191.5</b>	<b>1.9</b>	<b>193.4</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 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 30 September 2017			As at 31 December 2017		
	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
<b>Non-current assets</b>						
Property, plant and equipment	3,147.4	16.4	3,163.8	3,239.3	18.9	3,258.2
Deferred income tax asset	41.7	(0.1)	41.6	35.6	(0.2)	35.4
<b>Current assets</b>						
Trade and other receivables	336.5	21.5	358.0	346.6	25.0	371.6
<b>Total assets</b>	<b>4,827.6</b>	<b>37.8</b>	<b>4,865.4</b>	<b>4,987.2</b>	<b>43.7</b>	<b>5,030.9</b>
<b>Current liabilities</b>						
Trade and other payables	539.1	44.9	584.0	572.7	49.8	622.5
<b>Non-current liabilities</b>						
Deferred income tax liabilities	222.4	0.8	223.2	235.1	1.1	236.2
<b>Total liabilities</b>	<b>3,337.3</b>	<b>45.7</b>	<b>3,383.0</b>	<b>3,465.9</b>	<b>50.9</b>	<b>3,516.8</b>
<b>Net assets (Equity)</b>	<b>1,490.3</b>	<b>(7.9)</b>	<b>1,482.4</b>	<b>1,521.3</b>	<b>(7.2)</b>	<b>1,514.1</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.

(\$ in millions) <sup>1</sup>	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
Cash generated from operations	163.0	3.8	166.8	554.0	11.2	565.2
<b>Net cash inflow from operating activities</b>	<b>164.5</b>	<b>3.8</b>	<b>168.3</b>	<b>540.4</b>	<b>11.2</b>	<b>551.6</b>
Purchase of property, plant and equipment	(79.4)	(3.8)	(83.2)	(347.6)	(11.2)	(358.8)
<b>Net cash used in investing activities</b>	<b>(167.3)</b>	<b>(3.8)</b>	<b>(171.1)</b>	<b>(190.0)</b>	<b>(11.2)</b>	<b>(201.2)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(140.3)</b>	<b>-</b>	<b>(140.3)</b>	<b>(2.0)</b>	<b>-</b>	<b>(2.0)</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.

(\$ in millions)	Balance Sheet as at 1 January 2018		
	Reported	IFRS16	Post IFRS16
<b>Non-current assets</b>			
Right of use asset	-	75.7	75.7
<b>Total assets</b>	<b>4,987.2</b>	<b>75.7</b>	<b>5,062.9</b>
<b>Current liabilities</b>			
Trade and other payables	572.7	(11.5)	561.2
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>3,465.9</b>	<b>75.7</b>	<b>3,541.6</b>
<b>Net assets (Equity)</b>	<b>1,521.3</b>	<b>-</b>	<b>1,521.3</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 \$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.

<sup>1</sup> 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.

### IAS7 Reclassification of short term deposits

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 the cash flow statement can be seen in the following table:

(\$ in millions)	Third Quarter ended 30 September			Nine months ended 30 September 2017		
	Reported	Adj.	Restated	Reported	Adj.	Restated
Short-term cash deposits >3 months	(70.2)	202.9	132.7	208.4	(95.7)	112.7
<b>Net cash used in investing activities</b>	<b>(167.3)</b>	202.9	35.6	<b>(190.0)</b>	<b>(95.7)</b>	<b>(285.7)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(140.3)</b>	202.9	62.6	<b>(2.0)</b>	<b>(95.7)</b>	<b>(97.7)</b>

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 \$162.0m. The overall impact on current assets is zero and is detailed in the table below:

(\$ in millions)	Third Quarter ended 30 September 2017			Nine months ended 30 September 2017		
	Reported	Adj.	Restated	Reported	Adj.	Restated
<b>Cash and cash equivalents</b>						
At beginning of the period	397.5	(298.6)	98.9	259.9	-	259.2
Net increase/(decrease) in cash and cash equivalents	(140.3)	202.9	62.6	(0.2)	(95.7)	(97.7)
<b>Sub-total (net of bank overdrafts)</b>	<b>257.2</b>	<b>(95.7)</b>	<b>161.5</b>	<b>257.2</b>	<b>(95.7)</b>	<b>161.5</b>
<b>Short term deposits</b>						
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)
<b>Sub-total</b>	<b>186.6</b>	<b>95.7</b>	<b>282.3</b>	<b>186.6</b>	<b>95.7</b>	<b>282.3</b>
<b>Total cash, cash equivalents and short term deposits</b>	<b>443.8</b>	<b>-</b>	<b>443.8</b>	<b>443.8</b>	<b>-</b>	<b>443.8</b>

<sup>1</sup> 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.