inmarsat

Inmarsat Group Limited reports Third Quarter Results 2017

Financial Headlines

$ in millions	Third Quarter				Nine months			
	2017	2016	Change ($m)	Change (%)	2017	2016	Change ($m)	Change (%)
Group revenue	**358.3**	**341.9**	**16.4**	**4.8%**	**1,046.5**	**970.9**	**75.6**	**7.8%**
Maritime	142.7	142.8	(0.1)	(0.1%)	421.1	432.5	(11.4)	(2.6%)
Government	88.4	84.8	3.6	4.2%	275.9	225.5	50.4	22.4%
Aviation	53.9	35.9	18.0	50.1%	144.0	100.5	43.5	43.3%
Enterprise	38.2	37.6	0.6	1.6%	100.5	110.1	(9.6)	(8.7%)
Other[1]	35.1	40.8	(5.7)	(14.0%)	105.0	102.3	2.7	2.6%
EBITDA[2]	**193.7**	**204.2**	**(10.5)**	**(5.1%)**	**570.9**	**572.3**	**(1.4)**	**(0.2%)**
Statutory PAT	60.7	95.2	(34.5)	(36.2%)	176.2	224.1	(47.9)	(21.4%)

In the third quarter, revenues grew by 4.8%, or $16.4m:

- **Maritime:** Revenues unchanged year-on-year but increased sequentially reflecting 26% increase in VSAT revenues but lower FleetBroadband ("FB") and legacy product revenues
- **Government:** Revenues grew 4%, mainly reflecting stronger US results
- **Aviation:** Revenues up 50% with growth in both Core business and IFC installation activity. Air Asia's selection of GX confirmed in Q3, bringing aircraft expected under signed IFC contracts to 1,300
- **Enterprise:** Returned to growth, driven by higher airtime usage and terminal sales following recent hurricanes

GX airtime and related revenues, across the business units, of $42.3m (YTD: $102.1m)

EBITDA[2] was 5.1%, or $10.5m, lower:

- Favourable impact of higher revenues more than offset by changes in revenue mix, particularly in Aviation, by further investment in IFC market capture and delivery, and by higher central operational delivery 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.

[1] "Other" revenue comprises revenue contribution from Central Services and Ligado Networks.
[2] EBITDA is defined as profit before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates and, as a non-statutory metric, it has been reconciled to profit after tax later on in this announcement. EBITDA is a commonly used industry measure which helps investors to understand the contribution made by each of our business units.

OPERATING AND FINANCIAL REVIEW OF Q3 2017 RESULTS

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 2017. 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. In addition to IFRS measures, we use a number of non-IFRS measures 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. All discussion of results relates to the three month period ended 30 September 2017, and all comparisons are with the same period ended 30 September 2016, unless 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.

Introduction

Inmarsat's solid operational performance in the quarter is further evidence of our market-leading position in global mobile satellite services. We remain well placed to maximise the significant growth opportunities that will develop in mobility in the coming years, supported by a number of on-going targeted investment programmes. Importantly, unlike fixed satellite operators, Inmarsat has no exposure to slower growth legacy markets, in particular video and fixed point telecommunications.

As a result of our long-standing and sustainable advantage in coverage, our high performance satellites, our unique and highly secure networks, our embedded safety services and our market-leading distribution network, Inmarsat remains well positioned to continue to further improve our position in global mobility markets in the future.

Financial Highlights & Summary

Three months ended 30 September

($ in millions)	Maritime Q3 2017	Government Q3 2017	Aviation Q3 2017	Enterprise Q3 2017	Central Services Q3 2017	Total Q3 2017	Total Q3 2016
Revenue							
Operations & central	142.7	88.4	53.9	38.2	3.2	326.4	306.4
Ligado revenue	–	–	–	–	31.9	31.9	35.5
Total revenue	**142.7**	**88.4**	**53.9**	**38.2**	**35.1**	**358.3**	**341.9**
Direct costs	(20.5)	(12.4)	(9.3)	(7.4)	(1.7)	(51.3)	(41.6)
Gross Margin	**122.2**	**76.0**	**44.6**	**30.8**	**33.4**	**307.0**	**300.3**
Indirect costs	(9.1)	(11.4)	(19.4)	(4.2)	(69.2)	(113.3)	(96.1)
EBITDA	**113.1**	**64.6**	**25.2**	**26.6**	**(35.8)**	**193.7**	**204.2**
EBITDA margin %	*79.3%*	*73.1%*	*46.8%*	*69.6%*		*54.1%*	*59.7%*
Capital expenditure[1]	**10.9**	**2.5**	**27.4**	**0.1**	**56.3**	**97.2**	**99.9**

Nine months ended 30 September

($ in millions)	Maritime 2017	Government 2017	Aviation 2017	Enterprise 2017	Central Services 2017	Total 2017	Total 2016
Revenue							
Operations & central	421.1	275.9	144.0	100.5	10.4	951.9	882.0
Ligado revenue	–	–	–	–	94.6	94.6	88.9
Total revenue	**421.1**	**275.9**	**144.0**	**100.5**	**105.0**	**1,046.5**	**970.9**
Direct costs	(62.0)	(39.6)	(17.6)	(17.1)	(9.2)	(145.5)	(112.3)
Gross Margin	**359.1**	**236.3**	**126.4**	**83.4**	**95.8**	**901.0**	**858.6**
Indirect costs	(25.6)	(33.9)	(50.7)	(13.2)	(206.7)	(330.1)	(286.3)
EBITDA	**333.5**	**202.4**	**75.7**	**70.2**	**(110.9)**	**570.9**	**572.3**
EBITDA margin %	*79.2%*	*73.4%*	*52.6%*	*69.9%*		*54.6%*	*58.9%*
Capital expenditure[1]	**33.3**	**7.4**	**106.3**	**0.2**	**250.8**	**398.0**	**239.0**

[1] Capital expenditure is stated on a cash basis throughout this report. Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. It has been reconciled to capital expenditure on an accruals basis in note 3 of this announcement. 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.

In the three months ended 30 September 2017, Group revenues increased by $16.4m (4.8%) with revenue growth in Aviation ($18.0m, including $10.9m of low margin installation revenues), Government ($3.6m), and Enterprise ($0.6m) being partially offset by reduced contributions from Maritime ($0.1m) and Other ($5.7m, including $3.6m relating to Ligado).

Direct costs in the quarter increased by $9.7m, which led to gross margin declining to 85.7% (2016: 87.8%). This reflected the changing revenue mix, including the addition of low margin installation revenues in Aviation, (with related direct costs up $8.6m in the quarter).

Indirect costs in the quarter increased by $17.2m, reflecting increased investment in our IFC capability in Aviation ($8.6m in Q3 2017) and an underlying increase in central operational delivery costs ($4.3m in Q3 2017). Excluding these focused investments, tight cost control was maintained across the business.

As a result of the increase in direct and indirect costs, which more than offset the increase in revenue for the quarter, EBITDA for Q3 2017 decreased by $10.5m (5.1%) from the prior year, and EBITDA margin decreased to 54.1%, from 59.7% in Q3 2017.

Maritime

	Three months ended 30 September			Nine months ended 30 September		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	142.7	142.9	(0.1%)	421.1	432.5	(2.6%)
Direct costs	(20.5)	(19.9)	3.0%	(62.0)	(61.2)	1.3%
Gross Margin	**122.2**	**122.9**	**(0.6%)**	**359.1**	**371.3**	**(3.3%)**
Indirect costs	(9.1)	(10.1)	(9.9%)	(25.6)	(31.4)	(18.5%)
EBITDA	**113.1**	**112.8**	**0.3%**	**333.5**	**339.9**	**(1.9%)**
EBITDA margin %	*79.3%*	*79.0%*		*79.2%*	*78.6%*	
Cash capex	**10.9**	**10.7**	**1.9%**	**33.3**	**31.8**	**4.7%**

	Revenue		**Number of vessels**		**Average Revenue per User (“ARPU”)**	
	Q3 2017	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**
FleetBroadband (“FB”) – Standalone	$86.6m	$92.9m	36,809	38,571	$777	$799
FB – Inc. VSAT back-up[1]			40,550	41,354	$708	$746
VSAT (XL and FX)	$31.7m	$25.2m	3,960	2,918	$2,811	$2,930
Other products	$24.4m	$24.8m				

[1] FB is utilised by customers on a standalone basis, but also as an integrated element of our VSAT products, as an L-band back-up.

In the third quarter, Maritime revenues were unchanged year-on-year and grew sequentially for the second consecutive quarter.

Revenue from our Very Small Aperture Terminal (“VSAT”) products, XpressLink (“XL”) and Fleet Xpress (“FX”), rose by 25.8% in Q3, further accelerating from 21.0% growth in Q2 and 18.0% growth in Q1, illustrating continued increasing customer usage of our high bandwidth products.

There were 3,960 VSAT vessels at the end of the quarter, up 1,042 from the prior year, with the number of FX vessels increasing by 1,843 (including 753 migrated from other VSAT products), with other VSAT products declining year-on-year by 801 vessels (which includes the 753 migrations to FX). The VSAT installation order book has also increased, rising to around 630 vessels at the end of the third quarter of 2017, as compared to around 540 vessels at the end of Q3 2016.

The pace of FX installations continued to accelerate, bringing the total FX installed fleet to 1,960 vessels, with an increase of 623 vessels in the quarter (529 increase in Q2 and 473 in Q1). This was driven by the continued ramp-up of our internal installation capability and the growing engagement of our distribution partners, as well as an increase in the number of ports available for FX installation.

The overall proportion of completely new customer installations increased to 47% (Q2: 22%, Q1: 19%):

Installed Fleet Xpress installations	***Q3 2017***	***Q2 2017***	***Q1 2017***
Opening balance of installed FX vessels	**1,337**	**808**	**335**
XpressLink migrations	200	198	237
FleetBroadband upgrades	132	213	145
New customers	291	118	91
Total installations and migrations during the period	**623**	**529**	**473**
Closing balance of installed FX vessels	**1,960**	**1,337**	**808**

By the end of Q3, 423 installed FX vessels were with our distribution partners (Q2: 243, Q1: 97).

VSAT Average Revenue per User ("ARPU") in the third quarter was 4.1% lower than Q3 2016, reflecting the continued impact of a change in mix towards lower ARPU revenues on FX, particularly as wholesalers continue to increase their share of this mix, whilst ARPU for XL vessels remained relatively stable. VSAT ARPU is expected to continue to decline as further wholesale revenues are added to the mix.

Revenues for FleetBroadband ("FB"), our core L-band product, declined by 6.8% in the third quarter. This was mainly due a loss of vessels using the product, to 36,809 at the end of Q3 2017, from 38,571 at the end of Q3 2016. 1,149 of these vessels were lost as a result of scrappages, increased competition at the low end of the market and migrations to Fleet One. In addition, there was the overall ARPU-accretive migration of 613 vessels up to FX, year-on-year. These factors more than offset the positive impact of customers moving to higher value packages within FB.

Revenue from our mainly lower margin and legacy products continued to decline, falling by 1.6% in Q3 2017. This relatively moderate revenue decline included the positive effect of revenue growth related to the sales of Fleet One hardware and airtime as well as FX terminals, which together contributed a combined increase in revenue of $4.1m in Q3 2017. Excluding these positive effects, the underlying revenue decline in our legacy product base was $4.5m, or 19%.

Over 600 new Fleet One terminals were installed during the third quarter, taking the products' customer base to over 2,600 vessels by the end of the period, with an average ARPU of around $90 per month. This is an increase of around 1,600 vessels, from the end of Q3 2016.

Against the backdrop of flat revenues, direct costs increased by $0.6m, 3.0%, in the quarter, reflecting a slight change in revenue mix. Indirect costs decreased by $1.0m, 9.9%, driven by the impact of an internal reorganisation in July 2016, which moved costs of $2.0m during the third quarter from Maritime into Central Services, which offset an increase in marketing costs of $0.7m. As a result of the small reduction in operating costs, EBITDA in the third quarter was up by $0.3m, 0.3%, and EBITDA margin increased to 79.3% (from 79.0% in the prior year).

Maritime capex increased by $0.2m in the third quarter, due to growth in success-based capex, related to the ramp-up in FX installations.

Government

	Three months ended 30 September			**Nine months ended 30 September**		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	88.4	84.8	4.2%	275.9	225.5	22.4%
Direct costs	(12.4)	(14.1)	(12.1%)	(39.6)	(31.8)	24.5%
Gross Margin	**76.0**	**70.7**	**7.5%**	**236.3**	**193.7**	**22.0%**
Indirect costs	(11.4)	(10.7)	6.5%	(33.9)	(32.5)	4.3%
EBITDA	**64.6**	**60.0**	**7.7%**	**202.4**	**161.2**	**25.6%**
EBITDA margin %	*73.1%*	*70.8%*		*73.4%*	*71.5%*	
Cash capex	**2.5**	**0.8**	**212.5%**	**7.4**	**1.5**	**393.3%**

Our Government business continued to perform well, with revenues up 4.2% in the third quarter.

US Government revenues grew by 15.9% in the third quarter, driven by the impact of short term higher operational tempo, some of which was hurricane-related, and additional revenue from the US Navy Commercial Broadband Satellite Program Satellite Services Contract ("CSSC") but, as expected, lower revenues from our Take or Pay contract with Boeing.

Outside the US, Government revenues fell by 14.5% during the third quarter, reflecting a material reduction in exceptional operational revenues which had been received since Q3 2015.

Direct costs during Q3 2017 decreased by $1.7m, (12.1%), partly due to lower bad debt provisions, whilst indirect costs increased by $0.7m, or 6.5%. EBITDA consequently improved by $4.6m, 7.7%, and EBITDA margin increased to 73.1% in the third quarter, from 70.8% in the prior year.

The significant increase in revenue in the Government business achieved in the first half of 2017 will not be sustained during the second half of 2017, given a one-off revenue item in Q4 2016, a lower contribution from the Boeing take or pay contract during H2 2017 and the material reduction in exceptional operational revenues outside the US, which also means that the base for growth in 2018 will be lower.

Aviation

	Three months ended 30 September			**Nine months ended 30 September**		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	53.9	35.9	50.1%	144.0	100.5	43.3%
Direct costs	(9.3)	(0.7)	1,228.6%	(17.6)	(1.9)	826.3%
Gross Margin	**44.6**	**35.2**	**26.7%**	**126.4**	**98.6**	**28.2%**
Indirect costs	(19.4)	(10.8)	79.6%	(50.7)	(29.0)	(74.8%)
EBITDA	**25.2**	**24.4**	**3.3%**	**75.7**	**69.6**	**8.8%**
EBITDA margin %	*46.8%*	*68.0%*		*52.6%*	*69.3%*	
Cash capex	**27.4**	**30.8**	**(11.0%)**	**106.3**	**63.8**	**66.6%**

	Revenue		**Number of installed aircraft**		**Average Revenue per User (“ARPU”)**	
	Q3 2017	**Q3 2016**	**Q3 2017**	**Q3 2016**	**Q3 2017**	**Q3 2016**
SwiftBroadband	$27.3m	$23.1m	9,213	7,911	$1,001	$964
Classic Aero	$11.2m	$9.6m	8,575	7,352	$441	$428

In Business & General Aviation (“BGA”), SwiftBroadband revenues grew by 18.2% in the third quarter, with an increase in number of installed aircraft and higher ARPU, driven by higher customer airtime usage. In addition, there was an increased contribution from our L-band based IFC services in commercial aviation. The installation programme for JetConneX, our new GX-based product for the BGA market, gained further traction, with over 100 terminals now installed, generating revenue of $1.5m in Q3 2017.

In Safety & Operations Services (“SOS”), Classic Aero produced revenue growth of 16.7% in the third quarter of 2017, with an increase in number of installed aircraft and as a result of higher ARPU, reflecting higher customer airtime usage.

In IFC, our GX terminal installation programme for Deutsche Lufthansa Group remains on track, in preparation for active service, with 141 aircraft installed at the end of Q3 2017 (from 101 at the end of Q2 2017 and 20 at the end of 2016). A number of other customers initiated installation programmes for GX aviation terminals during Q3. As a result, $10.9m of relatively low margin installation revenue was generated in Q3 (YTD 2017: $19.5m). In addition, AirAsia, Philippine Airlines and Air Astana signed up for the provision of IFC services via GX during the third quarter, and we now have over 1,300 aircraft expected under signed contracts for IFC services. Our active pipeline remains at around 3,000 aircraft.

The European Aviation Network (“EAN”) service remains on course for the start of the final phase of operational launch by the end of 2017, following successful flight trials over recent months. Our launch customer has started equipping aircraft with EAN hardware and is expected to begin activating aircraft for passenger trials in early 2018, with European fleet-wide roll-out into 2019. We have all 28 EU territory MSS regulatory authorisations required for operation, plus Norway and Switzerland. In addition, 29 countries have now provided authorisations or in-principle approvals for the complementary ground component, including the UK and Germany.

In the third quarter of 2017, direct costs increased by $8.6m to $9.3m as a result of additional lower margin GX installation revenues being added to the revenue mix, whilst indirect costs increased by $8.6m to

$19.4m due to increased headcount and other overhead costs associated with the pursuit and delivery of the major growth opportunities in IFC. EBITDA increased by $0.8m, 3.3%, in Q3 2017, with EBITDA margin declining to 46.8%, from 68.0% in the prior year, reflecting the changing revenue mix and higher indirect costs.

Going forward, and as our results for 2017 to date clearly demonstrate, we still expect that Aviation EBITDA margins will continue to be impacted by our efforts to build our market position in IFC. Revenues will initially be low margin installation revenues rather than higher margin air time revenues, as we drive equipment installation programmes for certain customers. In addition, indirect Aviation costs will continue to rise as we invest in IFC market capture and delivery (we continue to expect that indirect costs in Aviation will increase to around $70m for FY2017).

As a result, we expect that, over the years 2016 to 2021, EBITDA margins in Aviation will fall from over 60% in 2016 to around 50% in 2017 and then to around 40% in 2018, after which higher revenues, improved revenue mix and more stable indirect costs start to deliver a return to 2016 margins in Aviation.

Cash capex decreased by $3.4m in the third quarter, as a result of a decrease of around $14m in capex relating to the S-band satellite, which was launched in Q2 2017. This offset growth of around $10m in success-based capex in relation to GX equipment installations for Deutsche Lufthansa Group.

Enterprise

	Three months ended 30 September			**Nine months ended 30 September**		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	38.2	37.6	1.6%	100.5	110.1	(8.7%)
Direct costs	(7.4)	(5.8)	27.6%	(17.1)	(14.7)	16.3%
Gross Margin	**30.8**	**31.8**	**(3.1%)**	**83.4**	**95.4**	**(12.6%)**
Indirect costs	(4.2)	(5.0)	(16.0%)	(13.2)	(14.6)	(9.6%)
EBITDA	**26.6**	**26.8**	**(0.7%)**	**70.2**	**80.8**	**(13.1%)**
EBITDA margin %	*69.6%*	*71.3%*		*69.9%*	*73.4%*	
Cash capex	**0.1**	**–**	**–**	**0.2**	**0.3**	**(33.3%)**

Enterprise delivered a slight increase in revenues in the third quarter, despite the on-going market pressure on its core products that we expect to continue.

Revenue in our Broadband Global Area Network (“BGAN”) product increased by 16.1% to $8.5m in the third quarter, whilst GSPS terminal sales and airtime revenues were up 17.9% to $11.2m with an increase in the number of connected terminals to over 175,000 by the end of the quarter. Revenue growth delivered by both product lines mainly related to the impact of hurricane-related activity during the period. Given the short term nature of this activity, the increase in revenue for these products in the period will not be sustained going forward.

Fixed-to-mobile revenues decreased by 28.3% to $4.2m in the third quarter reflecting a continued decline of satellite-based voice products, partly driven by an on-going migration to Voice-over-IP.

Machine to Machine (“M2M”) revenue increased by 9.8% to $4.6m in the third quarter, with the number of connected M2M terminals increasing to over 347,000 by the end of the period.

Direct costs in Q3 2017 increased by $1.6m, 27.6%, as a result of a change in revenue mix, whilst indirect costs were reduced by $0.8m, 16.0%, reflecting a transfer of personnel to the centre. EBITDA was $0.2m (0.7%) lower in Q3 2017, whilst EBITDA margin declined to 69.6%, from 71.3% in the prior year.

Central Services

	Three months ended 30 September			Nine months ended 30 September		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue						
Ligado Networks	31.9	35.5	(10.1%)	94.6	88.9	6.4%
Other	3.2	5.3	(39.6%)	10.4	13.4	(22.4%)
Total revenue	**35.1**	**40.8**	**(14.0%)**	**105.0**	**102.3**	**2.6%**
Direct costs	(1.7)	(1.1)	54.5%	(9.2)	(2.7)	240.7%
Gross Margin	**33.4**	**39.7**	**(15.9%)**	**95.8**	**99.6**	**(3.8%)**
Indirect costs	(69.2)	(59.5)	16.3%	(206.7)	(178.8)	15.6%
EBITDA	**(35.8)**	**(19.8)**	**80.8%**	**(110.9)**	**(79.2)**	**40.0%**
Cash capex	**56.3**	**57.6**	**(2.3%)**	**250.8**	**141.6**	**77.1%**

Revenue from Ligado Networks ("Ligado") for the quarter ended 30 September 2017 decreased by $3.6m, (10.1%), caused by the cessation of supplementary payments relating to original extension of the spectrum option period. Ligado revenue in the period includes $3.9m of deferred revenue released to reflect the economic cost of the revenue deferral arising under the revised transition agreement. There have been no other developments in respect of this agreement in the period. At 30 September we held $186.1m of deferred revenue on the balance sheet in respect of expected costs of implementation of this agreement.

Indirect costs increased by $9.7m in the quarter, due to higher underlying central operational delivery costs of $5.2m, relating to investments in the GX network and our operational capabilities including Cyber and IT. In addition, there were $2.0m of costs which were previously in Maritime, as well as the cost of a $2.5m revaluation of our non-USD liabilities, as the USD weakened at the end of Q3 2017.

We continue to expect a higher level of central operational delivery costs, reflecting not only the impact of the new GX related ground infrastructure being implemented but also increased investment in both IT and cyber security capabilities across the organisation, with the growth in central operational delivery costs in 2018 expected to be in the single digits, in percentage terms.

Central Services capital expenditure in the quarter decreased by $1.3m. There was further expenditure on GX, including initial investment in the design and build programme for the 5th GX satellite and I-6 satellite infrastructure in the period, as well as further investment in organisational capability. This was offset by investment in the I-5 F4 satellite and ground infrastructure in the prior year.

Reconciliation of EBITDA to profit after tax

	Three months ended 30 September			Nine months ended 30 September		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
EBITDA	**193.7**	**204.2**	**(5.1%)**	**570.9**	**572.3**	**(0.2%)**
Depreciation and amortisation	(102.2)	(87.7)	16.5%	(294.1)	(262.3)	12.1%
Other	(3.0)	1.2	(350.0%)	(3.4)	1.3	(361.5%)
Operating profit	**88.5**	**117.7**	**(24.8%)**	**273.4**	**311.3**	**(12.2%)**
Net financing costs	(16.0)	(16.4)	(2.4%)	(61.2)	(47.4)	29.1%
Taxation charge	(11.8)	(6.1)	93.4%	(36.0)	(39.8)	(9.5%)
Profit after tax	**60.7**	**95.2**	**(36.2%)**	**176.2**	**224.1**	**(21.4%)**

Operating profit

Depreciation and amortisation for the quarter ended 30 September 2017 increased by $14.5m as a result of increased capital expenditure.

As a result of the factors discussed above, operating profit for the nine months ended 30 September 2017 decreased by $29.2m (24.8%), compared with the same period in 2016.

Net financing cost

Net financing costs for the quarter ended 30 September 2017 of $16.0m have remained consistent with the same period in 2016 ($16.4m).

Taxation

The tax charge for the quarter ended 30 September 2017 was $11.8m, an increase of $5.7m, compared with the same period of 2016. The lower tax charge in 2016 was largely driven by a credit arising on the revaluation of the Group's deferred tax liabilities, arising as a result of the reduction in the UK corporation tax rate from 18% to 17% in 2020. No further rate reductions have been enacted in 2017 meaning that an equivalent revaluation of the Group's deferred tax liabilities was not required in the quarter.

The effective tax rate for the quarter was 16.9% (2016: 18.4%), partly reflecting the reduction in UK tax rate from 20% in 2016, to 19.25% in 2017, as well as a variance in the levels of profitability, in jurisdictions where the statutory tax rate is different to the UK.

Cash Flow

	Three months ended 30 September		**Nine months ended 30 September**	
($ in millions)	**2017**	**2016**	**2017**	**2016**
EBITDA	**193.7**	**204.2**	**570.9**	**572.3**
Non-cash items	6.8	5.2	15.8	9.8
Change in working capital	(37.5)	(34.9)	(32.7)	12.5
Cash generated from operations	**163.0**	**174.5**	**554.0**	**594.6**
Capital expenditure	(97.2)	(99.9)	(398.0)	(239.0)
Net interest paid	(2.7)	(16.3)	(52.3)	(54.8)
Tax paid	(1.5)	(7.6)	(18.1)	(29.2)
Free cash flow	**61.6**	**50.7**	**85.6**	**246.6**
Dividends paid	(87.9)	–	(207.8)	(144.0)
Other movement including foreign exchange	(3.4)	1.6	(6.3)	1.1
Net cash flow	**(29.7)**	**52.3**	**(128.5)**	**128.7**
Increase/(decrease) in cash from transfer from/to short-term deposits with maturity >3 months	(70.2)	(395.0)	208.4	(395.0)
Decrease/(increase) in cash from borrowings	(39.5)	622.0	(81.9)	555.6
Net increase/(decrease) in cash and cash equivalents	**(139.4)**	**279.3**	**(2.0)**	**289.3**
Opening net borrowings[1]	**1,893.9**	**1,680.4**	**1,711.5**	**1,735.4**
Net cash flow	29.7	(52.3)	128.5	(128.7)
Non-cash movements[2]	(1.5)	(20.7)	82.1	0.7
Closing net borrowings[1]	**1,922.1**	**1,607.4**	**1,922.1**	**1,607.4**

Cash flow outlined in this table is non-statutory.

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

[2] Non-cash movements relate to the amortisation of deferred financing costs.

During the quarter, free cash flow increased by $10.9m, mainly due to lower cash generated from operations ($11.5m), partially offset by a decrease in cash tax paid of $6.1m due to recovery of a prior year overpayment of corporation tax.

The total dividend declared in the nine months ending 30 September 2017 was $280.0m (2016: $158.3m), $208.0m was cash settled and the balance of $72.0m was settled through the intercompany loan with Inmarsat plc. This increase in the intercompany loan has caused the $81.4m increase in non-cash movements in non-cash movement in net borrowings.

Capital Expenditure

	Three months ended 30 September		**Nine months ended 30 September**	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Major infrastructure projects[1]	40.7	39.6	244.2	139.8
Success-based capex[2]	28.4	22.5	81.8	45.6
Other capex[3]	36.3	17.6	95.1	51.8
Cash flow timing	(8.2)	20.2	(23.1)	1.8
Total cash capital expenditure[4]	**97.2**	**99.9**	**398.0**	**239.0**

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

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

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

[4] Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest.

The moderate increase in major infrastructure projects capital investment in the quarter relates to continued investment in the GX and I-6 satellite infrastructures.

Success-based capex in the period principally related to an increase in expenditure for the installation of GX terminals for Deutsche Lufthansa Group in Aviation and of VSAT terminals, in particular Fleet Xpress, for customers in Maritime.

“Other capex” investment also increased during the period, driven by further investment in infrastructure maintenance, IT and capitalised product and service development costs.

Group Liquidity and Capital Resources

At 30 September 2017, the Group had cash and cash equivalents of $257.7m and available but undrawn borrowing facilities of $578.9m under our Senior Credit Facility and the 2014 Ex-Im Bank Facility.

PRINCIPAL RISKS AND UNCERTAINTIES

As outlined in our 2016 Annual Report, the Group faces a number of risks and uncertainties that may adversely affect our business, operations, liquidity, financial position or future performance, not all of which are wholly within our control. Although many of the risks and uncertainties influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

Risk	Background and impact
1. Failure to expand into the broadband market by attracting new customers and successfully migrating existing L-band customers	We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and to exploit market opportunities. We may fail to effectively address the significant changes going on in the industry, e.g. price and capacity, plus a greater focus on digital enablement. We may develop next generation broadband services that will not meet these market opportunities, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment. We may fail to roll out new services including migrating existing customers.
2. Failure to at least maintain our existing L-band business	We may not be able to maintain our market share of L-band business or we may fail to keep up with the business needs of our customers. The L-band business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to correctly assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore not target market opportunities. We may fail to roll out new services including migrating existing customers.
3. Failure to successfully seize the Aviation passenger connectivity opportunity	We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy to exploit the aviation in-flight connectivity ('IFC') market opportunity. We may fail to obtain applicable licences or fail to deliver on our contracts. Our competitors may provide better products to the market sooner than us. Our access to the market may be restricted by regulatory and capacity issues.
4. Failure to maintain and grow our Maritime business	We may not be able to grow our existing levels of revenue in the maritime industry through either competitor pressure, further decline in the overall maritime sector or our inability to identify adequate opportunities in the maritime market. The Maritime business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and to exploit market opportunities. We may fail to roll out new services including migrating existing customers.
5. Failure to deliver the Solutions strategy	We are aiming to implement a new solutions-based strategy rather than being a product-only based solution. There is a risk that the transition to offer solutions and digital services may be delayed, have cost overruns or not go smoothly, and we may fail to meet targets on our new solutions-based revenue.
6. Failure of satellites or networks	We face risks when we launch our satellites and while they are in operation. There are only a few companies who provide services to build and launch satellites and if they encounter problems, our launch may be delayed or fail. Our satellites, our control of them or our network may fail technically or be sabotaged. Our network may not be able to cope with the demand from users. Our network may suffer a cyberattack that damages our service offering and reputation. Elements of our ground network may fail which will affect our ability

Risk	Background and impact
	to provide services to our partners and customers.
7. Failure of critical customers and/or distribution channel	We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. We have critical GX and FX contracts which require careful management to ensure successful execution. Relying on some critical customers may increase our financial exposure if they fail to make payments for our services. We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities. We may lose customers due to poor quality service delivery or operations, or fail to keep up with the business needs of our customers. We may fail to roll out new services including migrating existing customers. A competitor may buy a critical customer or partner. We may encounter delays in bringing new products and services to market. Our inability to control our retail company specialising in US Government contracts, Inmarsat Government, may restrict our business activities.
8. Security risk	We may suffer damage to satellites, networks, information/data, systems, processes and our services to customers as a result of malicious code, unauthorised access, service denial or related security compromise. Data or IP could be stolen. This could also have consequential impact on reputation, business plans and operations.
9. Spectrum, orbital slots and market access risk	We rely on radio spectrum, which has historically been allocated without charge, to provide our services. We must agree how it is used in coordination with other satellite operators and need to coordinate its ongoing availability. We may not be able to coordinate usage in the future and/or may be charged for the spectrum which could affect our ability to provide services. Channel consolidation may drive down prices and ARPU. We require orbital slots to place our satellites in the correct position to provide adequate coverage and deliver our services. We may not be able to obtain adequate orbital slots or we may miss deadlines to bring orbital slots into use. Given the nature of the satellite business it is important to have access to all areas of the globe and provide coverage world-wide. This requires licensing from multiple national authorities. We may not be able to gain these licenses for various reasons. Market access may not be allowed in certain countries which restricts our services being offered.
10. Failure of critical suppliers	We rely on a limited number of third party suppliers and partners in the production of our satellites, launch providers' systems, terminals and products and we may have limited control over availability, quality and delivery of these goods. A satellite manufacturer or a supplier to the satellite manufacturer, may fail or have serious damage to a production facility that delays the delivery of our satellite. A satellite launch provider may additionally have a launch failure which affects the timing of our planned launches. A competitor may buy a critical supplier or partner. A critical supplier may fail financially or one of their systems may fail.

Risk	Background and impact
11. Failure to effectively operationally deliver products and services	We may fail to keep up with the developing business needs of our customers. We may fail in developing products and services that match their needs or encounter delays in bringing new products and services to market. We may not be able to take to market our products and services for various reasons such as competitor pressure, network/satellite issues, capacity constraints and/or technological difficulties which would impact our ability to generate revenues. We may fail in our internal processes leading to violations of regulations, for example financial reporting requirements.
12. People, skills, location and working environment risk	We may fail to hire skilled people or adequately improve skills to maintain and grow our business, or to deliver our strategy. We may lose highly technical and specialist employees who have very specific skill sets that are vital to the business. We may lose knowledge with employees and consultants that leave the company. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may suffer a terrorist attack or a natural disaster on one of our network or office locations.
13. Geo-political risk	Downturns in the economy of a country and/or world economy could impact our business and strategy. Armed conflicts as well as a low oil price may have large effects on world trade and consequently on our business, strategy and currency exchange rates. We do a large amount of business with governments across the globe including the US Government. Major political policy changes and decisions, such as sanctions and Brexit, may impact our business. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may suffer a terrorist attack or a natural disaster on one of our network or office locations. Our staff and their families may suffer a local epidemic or global pandemic.

RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions described on page 156 of the 2016 Inmarsat plc Annual Report and Accounts.

Inmarsat Group Limited
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce	Tony Bates
Chief Executive Officer	Chief Financial Officer
9 November 2017	9 November 2017

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the nine months ended 30 September 2017 (unaudited)

($ in millions)	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Revenues	**358.3**	**341.9**	**1,046.5**	**970.9**
Employee benefit costs	(76.1)	(65.0)	(212.2)	(194.1)
Network and satellite operations costs	(46.2)	(42.6)	(142.9)	(127.4)
Other operating costs	(55.6)	(40.8)	(157.7)	(108.4)
Own work capitalised	13.3	10.7	37.2	31.3
Total net operating costs	(164.6)	(137.7)	(475.6)	(398.6)
EBITDA	**193.7**	**204.2**	**570.9**	**572.3**
Depreciation and amortisation	(102.2)	(87.7)	(294.1)	(262.3)
(Loss)/Gain on disposal of assets	(3.7)	0.5	(5.5)	(0.7)
Share of profit of associates	0.7	0.7	2.1	2.0
Operating profit	**88.5**	**117.7**	**273.4**	**311.3**
Financing income	1.7	0.2	5.4	1.9
Financing costs	(17.7)	(16.6)	(66.6)	(49.3)
Net financing costs	(16.0)	(16.4)	(61.2)	(47.4)
Profit before tax	**72.5**	**101.3**	**212.2**	**263.9**
Taxation charge	(11.8)	(6.1)	(36.0)	(39.8)
Profit for the period	**60.7**	**95.2**	**176.2**	**224.1**
Attributable to:				
Equity holders	**60.7**	**95.1**	**175.9**	**223.7**
Non-controlling interest	**–**	**0.1**	**0.3**	**0.4**

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017 (unaudited)

($ in millions)	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Profit for the period	**60.7**	**95.2**	**176.2**	**224.1**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	(0.1)	0.2	0.3	0.2
Net gain/(loss) on cash flow hedges	5.8	(4.3)	14.0	(16.4)
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	–	(0.6)	1.5	2.4
Tax credited directly to equity	(0.1)	(0.6)	(0.5)	(1.2)
Other comprehensive income/(loss) for the period, net of tax	**5.6**	**(5.3)**	**15.3**	**(15.0)**
Total comprehensive income for the period, net of tax	**66.3**	**89.9**	**191.5**	**209.1**
Attributable to:				
Equity holders	**66.3**	**89.8**	**191.2**	**208.7**
Non-controlling interest	**–**	**0.1**	**0.3**	**0.4**

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

For the three and nine months ended 30 September (unaudited)

($ in millions)	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)	As at 30 September 2016 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	3,147.4	2,971.4	2,860.2
Intangible assets	776.5	796.4	775.9
Investments	15.2	13.2	13.1
Other receivables	17.7	11.7	21.1
Deferred tax asset	41.7	38.6	44.1
Derivative financial instruments	–	0.1	0.2
	3,998.5	**3,831.4**	**3,714.6**
Current assets			
Cash and cash equivalents[1]	257.7	259.7	462.4
Short-term deposits[2]	186.6	395.0	395.0
Trade and other receivables	336.5	326.0	312.7
Inventories	30.4	34.3	31.4
Current tax assets	12.9	8.5	6.0
Derivative financial instruments	2.7	1.7	1.1
Restricted cash	2.3	2.3	2.3
	829.1	**1,027.5**	**1,210.9**
Total assets	**4,827.6**	**4,858.9**	**4,925.5**
Liabilities			
Current liabilities			
Borrowings	535.7	459.7	246.8
Trade and other payables	539.1	497.1	482.9
Provisions	1.6	1.9	1.2
Current tax liabilities	153.3	144.5	135.9
Derivative financial instruments	10.0	5.9	2.6
	1,239.7	**1,109.1**	**869.4**
Non-current liabilities			
Borrowings	1,830.7	1,906.5	2,218.0
Other payables	27.6	41.5	41.0
Provisions	14.0	2.8	2.9
Deferred tax liabilities	222.4	208.3	203.5
Derivative financial instruments	2.9	20.1	14.1
	2,097.6	**2,179.2**	**2,479.5**
Total liabilities	**3,337.3**	**3,288.3**	**3,348.9**
Net assets	**1,490.3**	**1,570.6**	**1,576.6**
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	420.1	396.9	402.6
Retained earnings	392.1	495.3	495.8
Equity attributable to shareholders	**1,490.0**	**1,570.0**	**1,576.2**
Non-controlling interest	0.3	0.6	**0.4**
Total equity	**1,490.3**	**1,570.6**	**1,576.6**

[1] Cash and cash on deposit with maturity of less than 3 months.

[2] Short-term deposits are cash held on deposit with a maturity of between 3 and 12 months.

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

($ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Other reserve[1]	Capital contribution reserve	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2016 (audited)	**0.4**	**677.4**	**81.6**	**0.9**	**(0.5)**	**327.8**	**429.0**	**0.6**	**1,517.2**
Share based payments[2]	–	–	9.0	–	–	–	(0.2)	–	9.2
Dividends paid	–	–	–	–	–	–	(158.3)	(0.6)	(158.9)
Comprehensive Income:									
Profit for the year	–	–	–	–	–	–	223.7	0.4	224.1
OCI – before tax	–	–	–	(16.4)	0.2	–	2.4	–	(13.8)
OCI – tax	–	–	–	–	–	–	(1.2)	–	(1.2)
Balance at 30 September 2016 (unaudited)	**0.4**	**677.4**	**90.6**	**(15.5)**	**(0.3)**	**327.8**	**495.8**	**0.4**	**1,576.6**
Balance at 1 January 2017 (audited)	**0.4**	**677.4**	**92.7**	**(23.3)**	**(0.4)**	**327.8**	**495.3**	**0.6**	**1,570.5**
Share based payments[2]	–	–	9.0	–	–	–	(0.1)	–	8.9
Dividends paid	–	–	–	–	–	–	(280.0)	(0.6)	(280.6)
Comprehensive Income:									
Profit for the year	–	–	–	–	–	–	175.9	0.3	176.2
OCI – before tax	–	–	–	14.0	0.3	–	1.5	–	15.8
OCI – tax	–	–	–	–	–	–	(0.5)	–	(0.5)
Balance at 30 September 2017 (unaudited)	**0.4**	**677.4**	**101.7**	**(9.3)**	**(0.1)**	**327.8**	**392.1**	**0.3**	**1,490.3**

[1] The 'other' reserve relates to the revaluation reserve of $0.1m (2016: $0.6m) and the currency reserve of nil (2016: debit $1.1m).

[2] Represents the fair value of share option awards recognised in the period.

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the three and nine months ended 30 September 2017 (unaudited)

($ in millions)	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Cash flow from operating activities				
Cash generated from operations	163.0	174.5	554.0	594.6
Interest received	3.0	–	4.5	0.6
Tax paid	(1.5)	(7.6)	(18.1)	(29.2)
Net cash inflow from operating activities	**164.5**	**166.8**	**540.4**	**566.0**
Cash flow from investing activities				
Dividends received from associates	0.1	–	0.7	–
Purchase of property, plant and equipment	(79.4)	(47.3)	(347.6)	(165.8)
Additions to intangible assets	(4.6)	(41.9)	(13.2)	(41.9)
Own work capitalised	(13.2)	(10.7)	(37.2)	(31.3)
Short-term cash deposits >3 months	(70.2)	–	208.4	(395.0)
Investment in financial asset	–	(395.0)	(1.1)	–
Net cash used in investing activities	**(167.3)**	**(494.9)**	**(190.0)**	**(634.0)**
Cash flow from financing activities				
Dividends paid	(87.9)	–	(207.8)	(144.0)
Repayment of borrowings	(40.4)	(40.4)	(80.8)	(106.5)
Proceeds from issue of Senior Notes due 2024	–	672.7	–	672.7
Interest paid	(5.7)	(16.3)	(56.8)	(55.4)
Arrangement costs of financing	–	(10.3)	(1.1)	(10.6)
Other financing activities	(0.7)	2.3	(1.6)	1.3
Net cash (used in)/ from financing activities	**(134.7)**	**608.0**	**(348.1)**	**357.5**
Foreign exchange adjustment	(2.8)	(0.7)	(4.3)	(0.2)
Net (decrease)/ increase in cash and cash equivalents	**(140.3)**	**279.3**	**(2.0)**	**289.3**
Cash and cash equivalents				
At beginning of the period	397.5	182.9	259.2	172.9
Net (decrease)/ increase in cash and cash equivalents	(140.3)	279.3	(2.0)	289.3
At end of the period (net of bank overdrafts)	**257.2**	**462.2**	**257.2**	**462.2**
Comprising:				
Cash at bank and in hand	54.6	31.6	54.6	31.6
Short-term deposits with original maturity of less than three months	389.7	430.8	389.7	430.8
Cash reclassified to short term investments	(186.6)	–	(186.6)	–
Bank overdrafts	(0.5)	(0.2)	(0.5)	(0.2)
Net cash and cash equivalents at end of period	**257.2**	**462.2**	**257.2**	**462.2**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Inmarsat Group ('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 nine months ended 30 September 2017 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 condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and are available on our website at www.inmarsat.com. The accounting policies applied in the condensed consolidated interim financial statements are consistent with those in the Group's Annual Report and Accounts for the year ended 31 December 2016. There are no new IFRS or IFRIC interpretations that are effective for this financial year that have had a material impact on the Group.

Going Concern

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

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;
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services;
- Aviation, focusing on commercial, business and general aviation 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)

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 IFRS. Therefore, the Group's reportable segments are Maritime, Government, Enterprise, Aviation 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 at the EBITDA level without the allocation of central costs, depreciation, net financing costs and taxation.

	Three months ended 30 September		**Nine months ended 30 September**	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Revenues				
Maritime	142.7	142.8	421.1	432.5
Government	88.4	84.8	275.9	225.5
Aviation	53.9	35.9	144.0	100.5
Enterprise	38.2	37.6	100.5	110.1
Central Services[1]	35.1	40.8	105.0	102.3
Total revenues	**358.3**	**341.9**	**1,046.5**	**970.9**
EBITDA				
Maritime	113.1	112.8	333.5	339.9
Government	64.6	60.0	202.4	161.2
Aviation	25.2	24.4	75.7	69.6
Enterprise	26.6	26.8	70.2	80.8
Central Services[1]	(35.8)	(19.8)	(110.9)	(79.2)
Total EBITDA	**193.7**	**204.2**	**570.9**	**572.3**
Depreciation and amortisation	(102.2)	(87.7)	(294.1)	(262.3)
Other	(3.0)	1.2	(3.4)	1.3
Operating profit	**88.5**	**117.7**	**273.4**	**311.3**
Net financing costs	(16.0)	(16.4)	(61.2)	(47.4)
Profit before tax	**72.5**	**101.3**	**212.2**	**263.9**
Taxation charge	(11.8)	(6.1)	(36.0)	(39.8)
Profit for the period	**60.7**	**95.2**	**176.2**	**224.1**

Cash capital expenditure[2]				
Maritime	10.9	10.7	33.3	31.8
Government	2.5	0.8	7.4	1.5
Aviation	27.4	30.8	106.3	63.8
Enterprise	0.1	–	0.2	0.3
Central Services	56.3	57.6	250.8	141.6
Total cash capital expenditure	**97.2**	**99.9**	**398.0**	**239.0**
Financing costs capitalised in the cost of qualifying assets	16.4	6.8	35.6	18.9
Cash flow timing[3]	8.2	(20.2)	23.1	(1.8)
Total capital expenditure	**121.8**	**86.5**	**456.7**	**256.1**

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

[2] Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest.

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

4. Net financing costs

($ in millions)	Three months ended 30 September 2017	2016	Nine months ended 30 September 2017	2016
Bank interest receivable and other interest	(1.7)	(0.2)	(5.4)	(1.9)
Total financing income	**(1.7)**	**(0.2)**	**(5.4)**	**(1.9)**
Interest on Senior Notes and credit facilities	23.7	18.2	70.9	55.7
Amortisation of debt issue costs	1.9	1.9	7.9	5.4
Amortisation of discount on Senior Notes due 2022	0.3	0.3	0.8	0.8
Amortisation of discount on deferred satellite liabilities	–	–	0.3	0.4
Net interest on the net pension asset and post-employment liability	0.4	0.2	1.8	0.2
Other interest	0.5	1.5	2.5	2.5
Intercompany interest payable	7.3	1.3	18.0	3.2
	34.1	**23.4**	**102.2**	**68.2**
Less: Amounts capitalised in the cost of qualifying assets[1]	(16.4)	(6.8)	(35.6)	(18.9)
Financing costs	**17.7**	**16.6**	**66.6**	**49.3**
Net financing costs	**16.0**	**16.4**	**61.2**	**47.4**

[1] The current period capitalised financing costs balance of $35.6m includes a prior year adjustment of $6.6m.

5. Net Borrowings

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

	At 30 September 2017			At 31 December 2016		
($ in millions)	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	0.5	–	0.5	0.5	–	0.5
Deferred satellite payments	3.7	–	3.7	3.8	–	3.8
Ex-Im Bank Facilities	99.5	–	99.5	99.5	–	99.5
Intercompany loan	432.0	–	432.0	355.9	–	355.9
Total current borrowings	**535.7**	**–**	**535.7**	**459.7**	**–**	**459.7**
Non-current:						
Deferred satellite payments	5.9	–	5.9	8.4	–	8.4
Senior Notes due 2022	1,000.0	(5.3)	994.7	1,000.0	(6.1)	993.9
– Net issuance discount	(4.7)	–	(4.7)	(5.5)	–	(5.5)
Senior Notes due 2024	400.0	(5.1)	394.9	400.0	(5.6)	394.4
Ex-Im Bank Facilities	453.0	(13.1)	439.9	533.9	(18.6)	515.3
Total non-current borrowings	**1,854.2**	**(23.5)**	**1,830.7**	**2,292.7**	**(30.3)**	**2,262.4**
Total borrowings	**2,359.9**	**(23.5)**	**2,366.4**	**2,396.5**	**(30.3)**	**2,366.2**
Cash and cash equivalents	(257.7)	–	(257.7)	(259.7)	–	(259.7)
Short-term deposits	(186.6)	–	(186.6)	(395.0)	–	(395.0)
Net borrowings	**1,945.6**	**(23.5)**	**1,922.1**	**1,741.8**	**(30.3)**	**1,711.5**

For further details of the Group's debt structure please refer to note 19 of the December 2016 plc 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 2017	At 31 December 2016
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	2.7	0.8
Forward foreign currency contracts – undesignated cash flow hedges	–	1.0
Total derivative financial assets	**2.7**	**1.8**
Financial liabilities:		
Forward foreign currency contracts– designated cash flow hedges	(12.8)	(23.9)
Forward foreign currency contracts – undesignated cash flow hedges	(0.1)	(2.1)
Total derivative financial liabilities	**(12.9)**	**(26.0)**
Net derivative financial liabilities	**(10.2)**	**(24.2)**

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

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

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

	At 30 September 2017		At 31 December 2016	
($ in millions)	Carrying Value	Fair value	Carrying value	Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	1,024.7	1,000.0	975.0
Senior Notes due 2024	400.0	434.2	400.0	408.3
Ex-Im Bank Facilities	552.5	605.3	633.4	649.4

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 2016.

8. 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 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 Group Limited are listed on our website at www.inmarsat.com.

By order of the Board,

Rupert Pearce	Tony Bates
Chief Executive Officer	Chief Financial Officer
9 November 2017	9 November 2017