Inmarsat Group Limited reports Interim Results 2017

Financial Headlines

$ in millions	Second Quarter				First Half			
	2017	2016	Change ($m)	Change (%)	2017	2016	Change ($m)	Change (%)
Group revenue	**356.0**	**330.4**	**25.6**	**7.7%**	**688.2**	**629.0**	**59.2**	**9.4%**
Maritime	139.3	146.6	(7.3)	(5.0)%	278.4	289.7	(11.3)	(3.9)%
Government	101.5	72.0	29.5	41.0%	187.5	140.7	46.8	33.3%
Aviation	45.9	33.4	12.5	37.4%	90.1	64.6	25.5	39.5%
Enterprise	32.9	38.5	(5.6)	(14.5)%	62.3	72.5	(10.2)	(14.1)%
Other[1]	36.4	39.9	(3.5)	(8.8)%	69.9	61.5	8.4	13.7%
EBITDA[2]	**195.4**	**202.5**	**(7.1)**	**(3.5)%**	**377.2**	**368.1**	**9.1**	**2.5%**
Statutory PAT	59.6	78.1	(18.5)	(23.7)%	115.5	128.9	(13.4)	(10.4)%

Performance Highlights

- **Revenues up 9.4%,** in spite of on-going challenging markets, driven by Government, Aviation and Global Xpress ("GX"):
  - **Maritime:** against a tough comparator in Q2 2017, strong growth in higher bandwidth services, resilient L-band revenues, and legacy product continuing to decline, as anticipated, with further improved revenue mix expected in H2 2017
  - **Government:** continued outperformance, reflecting material new business win, particularly impacting Q2, first CSSC revenue, increased Boeing revenue & ongoing higher operational tempo
  - **Aviation:** sustained double digit revenue growth in Core business and further positive momentum in In-Flight Connectivity ("IFC"), with Avianca and Qatar Airways contract wins, bringing total aircraft expected under signed contracts to 1,200, and service with Deutsche Lufthansa Group going live
  - **Enterprise:** growth in M2M but continuing difficult markets otherwise
  - **Ligado:** revenues up $9.3m to $62.7m, reflecting exercise of 30MHz option in March 2016
  - **GX** revenues of $59.9m in H1 2017, including $27.8m in Q2 2017
- **EBITDA[2] up 2.5%,** reflecting growth in revenues, continued investment in Aviation IFC market capture and higher operational delivery costs (which will continue through H2 2017)
- **Successful launches** of Inmarsat-5 F4 and Inmarsat-S EAN satellites, build of 5th GX satellite announced and European Aviation Network ("EAN") on track for commercial deployment in Q4 2017

[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, 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 contributions made by each of our business units.

Forward looking Statements

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

OPERATING AND FINANCIAL REVIEW OF H1 & Q2 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 half year ended 30 June 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 half year ended 30 June 2017, and all comparisons are with the half year ended 30 June 2016, unless stated otherwise.

Introduction

Market Context

The structural change which continues to impact satellite communications is expected to remain a key feature in our industry for the foreseeable future, driven by significant potential investment from existing operators, as well as new players which are expected to enter our sector in the coming years.

On the demand side, end user requirements continue to evolve, driven by an ever-increasing thirst for data, ubiquitous connectivity needs and high bandwidth services. In the longer term, the rise of a digital society, powered by applications to access the “Internet of Things”, will create new addressable markets which can only be accessed by satellite communications and technology, creating a shift in our industry towards managed services and solutions.

From a supply perspective, the risk of over-capacity remains, driven by the planned launch of large, potentially disruptive, High-Throughput Satellites in the coming years. However, this risk remains relevant only in certain geographies and for specific technologies, particularly related to fixed satellite operations. Mobility satellite operations are relatively well insulated from this threat, with some specific niche applications likely to be impacted.

Despite an increasingly competitive environment in mobility, as fixed operators look to retrofit their models, networks and propositions for mobility utilisation, the supply and demand dynamics of our industry present a significant potential opportunity for Inmarsat, as the leading provider of mobility services, as we drive into new satellite broadband markets in mobility in the future.

Progress on GX

During the first half of 2017, we made steady progress in accessing this opportunity, by continuing to commercialise our technology, supported in particular by our on-going efforts to optimise our GX platform.

GX generated airtime and related revenue of $59.9m during the first half of the year, from an increasingly diversified customer base. In partnership with SpaceX, we successfully launched our fourth spacecraft, Inmarsat-5 F4, to provide in-orbit redundancy for our global GX network and additional capacity to deploy into new regional growth opportunities. Inmarsat-5 F4 will initially be positioned over Europe, the Middle East and the Indian Sub-Continent, to support our customers in those regions, but is expected to have subsequent missions thereafter.

During the period, we also announced the design and build of a 5th GX satellite for a total investment of around $200m, including launch and insurance costs, adding depth in capacity to service areas of higher demand, in particular aviation routes in support of our customers in their IFC requirements.

Financial Highlights & Summary

Half Year ended 30 June

($ in millions)	Maritime H1 2017	Government H1 2017	Enterprise H1 2017	Aviation H1 2017	Central Services H1 2017	Total H1 2017	Total H1 2016
Revenue							
Operations & central	278.4	187.5	62.3	90.1	7.2	625.5	575.6
Ligado revenue	–	–	–	–	62.7	62.7	53.4
Total revenue	**278.4**	**187.5**	**62.3**	**90.1**	**69.9**	**688.2**	**629.0**
Operating costs	(58.0)	(49.7)	(18.7)	(39.6)	(145.0)	(311.0)	(260.9)
EBITDA	**220.4**	**137.8**	**43.6**	**50.5**	**(75.1)**	**377.2**	**368.1**
EBITDA margin %	*79.2%*	*73.5%*	*70.0%*	*56.0%*	–	*54.8%*	*58.5%*
Capital expenditure[1]	**22.4**	**4.9**	**0.1**	**78.9**	**194.5**	**300.8**	**139.1**

Three months ended 30 June

($ in millions)	Maritime Q2 2017	Government Q2 2017	Enterprise Q2 2017	Aviation Q2 2017	Central Services Q2 2017	Total Q2 2017	Total Q2 2016
Revenue							
Operations & central	139.3	101.5	32.9	45.9	4.2	323.8	294.9
Ligado revenue	–	–	–	–	32.2	32.2	35.5
Total revenue	**139.3**	**101.5**	**32.9**	**45.9**	**36.4**	**356.0**	**330.4**
Operating costs	(29.7)	(28.0)	(11.4)	(20.9)	(70.6)	(160.6)	(127.9)
EBITDA	**109.6**	**73.5**	**21.5**	**25.0**	**(34.2)**	**195.4**	**202.5**
EBITDA margin %	*78.7%*	*72.4%*	*65.3%*	*54.5%*	–	*54.9%*	*61.3%*
Capital expenditure[1]	**11.6**	**1.8**	**0.1**	**33.5**	**123.6**	**170.6**	**100.6**

[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.

Overall, Inmarsat delivered a robust performance during the first half of 2017, with total Group revenue up by $59.2m, or 9.4%, to $688.2m (H1 2016: $629.0m), including growth of $25.6m, or 7.7%, to $356.0m in the second quarter (Q2 2016: $330.4m).

The Group's revenue performance was driven by growth in Government (up $46.8m in H1 2017, including an increase of $29.5m in Q2 2017) and Aviation (up $25.5m in H1 2017, including an increase of $12.5m in Q2 2017). These performances were offset by revenue declines in Maritime (down $(11.3)m in H1 2017, including a decrease of $(7.3)m in Q2 2017) and Enterprise (down $(10.2)m in H1 2017, including a decrease of $(5.6)m in Q2 2017). Ligado income increased by $9.3m to $62.7m during the first half of 2017, but declined by $3.3m to $32.2m during Q2 2017. This reflected the payment by Ligado of $5m in the second quarter of 2016, which was not repeated in 2017.

Operating costs in the first half of 2017 increased by $50.1m to $311.0m, from $260.9m in the prior year, including an increase of $32.7m to $160.6m in the second quarter, from $127.9m in the prior year. Foreign exchange rate movements had an immaterial impact on operating costs in the first half.

Direct costs increased during the first half of 2017 by $23.6m to $94.3m, including an increase of $17.1m to $53.8m in the second quarter, mainly reflecting revenue growth and changing revenue mix, including the addition of new, low margin, installation revenues in Aviation.

Indirect costs increased during the first half of 2017 by $26.9m to $216.7m, including an increase of $15.6m to $106.8m in the second quarter of 2017, reflecting increased investment in our IFC capability in Aviation (c. $13m in H1 2017) and an underlying increase in central operational delivery costs (c. $12m in H1 2017). Excluding these focused investments, tight cost control was maintained across the business.

As a result, total Group EBITDA for the first half of 2017 increased by $9.1m, or 2.5%, to $377.2m (H1 2016: $368.1m), but declined by $(7.1)m, or (3.5)%, to $195.4m in the second quarter of 2017 (Q2 2016: $202.5m). The Group's EBITDA margin consequently decreased to 54.8% in H1 2017 (H1 2016: 58.5%), including 54.9% in Q2 2017 (Q2 2016: 61.3%).

Statutory PAT declined by $(13.4)m to $115.5m in H1 2017, including a decline of $(18.5)m to $59.6m in Q2 2017.

Maritime

	Three months ended 30 June			**Half year ended 30 June**		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	139.3	146.6	(5.0)%	278.4	289.7	(3.9)%
Operating costs	(29.7)	(31.8)	(6.6)%	(58.0)	(62.6)	(7.3)%
EBITDA	**109.6**	**114.8**	**(4.5)%**	**220.4**	**227.1**	**(3.0)%**
EBITDA margin %	*78.7%*	*78.3%*		*79.2%*	*78.4%*	
Cash capex	**11.6**	**9.5**	**22.1%**	**22.4**	**21.1**	**6.2%**

Product breakdown:

	Revenue		**Number of vessels**		**Average Revenue per User ("ARPU")**	
	Q2 2017	**Q2 2016**	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**
FleetBroadband ("FB") – Standalone	$87.9m	$94.3m	37,532	38,978	$778	$801
FB – Inc. VSAT back-up[1]			41,038	41,684	$714	$751
VSAT (XL and FX)	$30.5m	$25.2m	3,563	2,803	$2,981	$3,135
Other products	$20.9m	$27.1m				

Against the backdrop of a tough comparator in Q2 2017, we delivered continued strong growth in our higher bandwidth VSAT services, whilst our L-band revenues remained resilient and our older legacy products continued to decline as expected. This revenue mix is expected to continue to improve in the second half of 2017.

Despite a continued weak market environment in commercial shipping, customer demand for high bandwidth Very Small Aperture Terminal ("VSAT") connectivity remains strong, providing a key driver for Inmarsat's future growth prospects in Maritime. With a foundation of over 10,000 vessels committed to FleetXpress ("FX"), our GX product for Maritime, over the coming years, a strengthened internal installation capability and a market-leading distribution network, we remain well placed to capture the significant future growth opportunity that this fast-growing, high-ARPU, addressable market represents.

Over the first half, revenue from our VSAT products, XpressLink ("XL") and FX, grew 19.5% to $59.7m, reflecting growth of 18.0% in the first quarter and 21.0% in the second quarter.

Furthermore, our installation order book also grew, rising to around 680 at the end of the first half of 2017, (from around 650 at the end of the first quarter). We made good progress in our FX installation programme, with the pace of net installations increasing to 266 ships per quarter during the first half, compared to an average of 136 VSAT ship additions per quarter during 2016. This was driven by the ramping up of our strengthened internal installation capability as well as the successful initial efforts in installing FX by our distribution partners. Consequently, there were 1,337 FX vessels installed by the end of the period, as a result of migrations from XL and FB, as well as a number of new customer wins:

[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, for utilisation in turbulent weather conditions.

Fleet Xpress installations	H1 2017	H1 2016	Q2 2017	Q1 2017
Opening balance of installed FX vessels	**335**	**–**	**808**	**335**
XpressLink migrations	435	–	198	237
FleetBroadband upgrades	358	–	213	145
New customers	209	–	118	91
Total installations and migrations during the period	**1,002**	**–**	**529**	**473**
Closing balance of installed FX vessels	**1,337**	**–**	**1,337**	**808**

As anticipated, VSAT Average Revenue per User ("ARPU") in the second quarter was 4.9% lower than the same period in 2016, mainly reflecting the initial impact of a change in mix towards wholesale revenues, (as growth becomes increasingly driven by our channel partners), as well as the impact of issues outlined in early 2016, including more lay-ups and a decline of higher-ARPU legacy contracts. As previously highlighted, VSAT ARPU is expected to continue to decline modestly as further wholesale revenues are added to the mix and as wholesale price breaks awarded to our strategic partners (in return for their commitments) begin to flow through.

Revenues for FB, our core L-band product, declined by 4.5% in the first half to $175.7m, including a decline of 6.8% to $87.9m during the second quarter. This was due to the overall ARPU-accretive migration of 328 vessels up to FX during the first half and a loss of vessels using the product, as a result of the weak market environment, both of which offset the positive impact of customers moving to higher value packages during the period. In addition, Q2 2017 faced a particularly difficult comparative in the prior year, due to the short term favourable impact of the price changes implemented in Q1 2016, the effect of which was lessened in H2 2016, with customers optimising their packages.

Fleet One, our new L-band product for the smaller vessel market, continued to grow, with over 400 new users added during the second quarter, taking the Fleet One customer base to over 2,000 vessels by the end of the first half, with an average ARPU of around $90 per month. The new business pipeline for Fleet One remains strong, with a number of important commercial opportunities being pursued.

Revenue from our mainly lower margin and legacy products continued to decline, as expected, falling by $12.7m , or (22.8)% to $43.0m in H1 2017, including a decline of $6.2m or (22.9)% to $20.9m in Q2 2017.

Total operating costs for the half decreased by $4.6m (7.3%), including a decrease of $2.1m (6.6%) in the second quarter. Direct costs during the first half were flat at $41.5m, despite lower revenues and the impact of a higher bad debt provision in the period. An underlying increase of $1.4m in indirect costs to drive marketing and sales activity around new product launches was more than offset by the impact of an internal reorganisation in July 2016. This reorganisation moved costs of $6.2m during the half (including $2.7m in the second quarter) from Maritime into Central Services.

EBITDA in the first half decreased by $6.7m (3.0%) compared with the prior year period, including a decrease of $5.2m (4.5%) in the second quarter, reflecting the decline in revenue. EBITDA margin increased to 79.2% in the first half of 2017, (from 78.4% in the prior year), including 78.7% in the second quarter, (from 78.3% in the prior year).

Maritime capex increased by $1.3m to $22.4m in the first half, including an increase of $2.1m to $11.6m in the second quarter, due to growth in success-based capex, related to the ramp-up in FX installations during the period.

Government

	Three months ended 30 June			Half year ended 30 June		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	101.5	72.0	41.0%	187.5	140.7	33.3%
Operating costs	(28.0)	(19.5)	43.6%	(49.7)	(39.5)	25.8%
EBITDA	**73.5**	**52.5**	**40.0%**	**137.8**	**101.2**	**36.2%**
EBITDA margin %	*72.4%*	*72.9%*		*73.5%*	*71.9%*	
Cash capex	**1.8**	**0.5**	**260.0%**	**4.9**	**0.7**	**600.0%**

Inmarsat remains well positioned in Government to be able to offer customers high value-added services including interoperability with military satellite communications services. We continue to outperform a market which remains impacted by cyclical and financial headwinds. In the first half of 2017, our Government revenues increased year-on-year by 33.3% to $187.5m, including an increase of 41.0% to $101.5m in the second quarter.

Our US Government revenues grew by 57.2% in first half, including 78.0% in the second quarter, driven predominantly by our contract with Boeing, a key channel partner in the US for military Ka-band services. There was also a material new, confidential and high margin contract in the second quarter which positively impacted our performance in US Government.

In addition, in the second quarter there was a full quarter's revenue contribution from the US Navy's Commercial Broadband Satellite Program Satellite Services Contract ("CSSC") award, albeit at a relatively low margin.

During the period, we also announced our involvement in AT&T's consortium to provide satellite-based solutions for FirstNet, a planned nationwide emergency response network in the US which will be implemented over the coming years, though it will have no impact on our 2017 results.

Outside the US, Government revenues rose by 4.3% during the first half, including a flat second quarter, supported by the continued benefit of higher operational tempo in one region, which began in Q3 2015.

Total operating costs increased by 25.8% in the first half, including an increase of 43.6% in the second quarter, in relation to the growth in revenue. Direct costs during H1 2017 increased by $9.5m to $27.2m, in line with revenue growth, whilst indirect costs were unchanged at $22.5m, due to continued tight cost control.

EBITDA consequently improved by 36.2% to $137.8m in the first half, including an increase of 40.0% to $73.5m in the second quarter. EBITDA margin increased to 73.5% in the first half, from 71.9% in the prior period, but was slightly down in the second quarter to 72.4%, from 72.9% in the prior period.

It should be noted that, mainly due to the one-off nature of a portion of our Government revenue, the significant increase in revenue in the Government business in the second quarter of 2017 will not be sustained during the second half of the year. Furthermore, EBITDA margins in H2 2017 will be lower than in H1 2017, reflecting lower revenues and a different revenue mix.

Aviation

	Three months ended 30 June			**Half year ended 30 June**		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	45.9	33.4	37.4%	90.1	64.6	39.5%
Operating costs	(20.9)	(10.6)	97.2%	(39.6)	(19.4)	104.1%
EBITDA	**25.0**	**22.8**	**9.6%**	**50.5**	**45.2**	**11.7%**
EBITDA margin %	*54.5%*	*68.3%*		*56.0%*	*70.0%*	
Cash capex	**33.5**	**30.0**	**11.7%**	**78.9**	**33.0**	**139.1%**

Product breakdown (Core):

	Revenue		**Number of installed aircraft**		**Average Revenue per User (ARPU)**	
	Q2 2017	**Q2 2016**	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**
SwiftBroadband	$28.9m	$21.2m	8,977	8,035	$1,111	$907
Classic Aero	$9.7m	$9.3m	8,308	7,761	$392	$398

We are executing and delivering on our Aviation strategy. With continued strong growth in the first half in our Core business, and anchor customer wins and further progress made in our GX installation programme in IFC.

Aviation – Core business

Inmarsat's Core Aviation business, Business & General Aviation ("BGA") and Safety & Operations Services ("SOS"), delivered revenue growth of 26.2% in the first half, including 26.4% in the second quarter, mainly from SwiftBroadband and Classic Aero, our L-band based products, which ended the period with over 17,000 connected terminals.

In the first half of 2017, SwiftBroadband delivered revenue growth of 31.7%, including growth of 36.2% in the second quarter, supported by a strong performance in BGA and another good contribution from our L-band based IFC services in commercial aviation. SwiftBroadband produced strong growth in the number of installed aircraft and in ARPU, both of which were driven by continued high demand and customer usage.

So far this year, we have installed 64 terminals for JetConneX, our new GX-based product for the BGA market. Furthermore, during the period, we signed further line-fit certifications for JetConneX, and the product is now line-fit certified with four of the leading business jet manufacturers in the industry - Bombardier, Gulfstream, Dassault and Embraer.

Classic Aero produced revenue growth of 14.9% in the first half of 2017, including 4.3% in the second quarter, supported by an increase in number of installed aircraft. ARPU was relatively unchanged on the prior year, despite the impact of price rises in that prior year.

Final operational proving trials for our next-generation secure SOS product, SwiftBroadband-Safety, have started with international airlines, including United Airlines. Approval for trans-oceanic use is expected before the end of 2017.

Aviation – IFC

In IFC, our progress in installing GX terminals on Deutsche Lufthansa Group aircraft remains on track, with 101 aircraft now installed across the Lufthansa, Austrian Airlines, Eurowings and German Wings fleets (from 65 at the end of Q1 2017 and 20 at the end of 2016). There was around $8.6m of relatively low margin pass-through GX installation revenues during the first half of 2017 (including around $3.7m in the second quarter), relating to this activity.

During the period, we signed additional contracts for the provision of IFC services via GX with Qatar Airways in the Middle East and Avianca in Latin America. We now have around 1,200 aircraft expected under signed contracts for IFC services and our active pipeline continues to be around 3,000 aircraft.

The commercial deployment of the EAN remains on track for the end of 2017, following the successful launch of our S-band satellite with Arianespace in June 2017 and Deutsche Telekom's on-going progress in building out the complementary ground component network ("CGC") across the region. We have all 28 EU territory MSS regulatory authorisations required for the EAN to operate, plus Norway and Switzerland. In addition, 27 countries have provided us with authorisations or in-principle approvals for the CGC.

Contrary to claims made by some of our competitors, Inmarsat is delivering the EAN system in accordance with the framework established by European laws and implemented by national regulatory authorities, and we remain confident that this unique and highly innovative integrated network will be commercially deployed across Europe towards the end of 2017.

As previously advised, as we on-board the necessary capabilities to capture meaningful market share in IFC, our financial performance in Aviation will be adversely affected by the net cost of this investment. In H1 2017, total operating costs in Aviation increased by $20.2m, or 104.1%, to $39.6m, (including an increase of $10.3m, or 97.2%, to $20.9m in the second quarter). In the first half of 2017, direct costs increased by around $7.1m to around $8.3m, as a result of additional lower margin GX installation revenues being added to the revenue mix, whilst indirect costs increased by around $13.1m to around $31.3m, due to increased headcount and other overhead costs associated with the pursuit and delivery of the major growth opportunities in IFC. We continue to expect that indirect costs in Aviation will increase to around $70m for FY2017.

EBITDA increased strongly in the first half of 2017, rising $5.3m, or 11.7%, to $50.5m, including an increase of $2.2m, or 9.6% to $25.0m in the second quarter. EBITDA margin decreased to 56.0% in the first half, from 70.0% in the prior year period, and to 54.5% in the second quarter, from 68.3% in the prior year period, reflecting the changing revenue mix and higher indirect costs.

As previously highlighted, we currently expect that, over the next five years, the near term consequence of the changing revenue mix in Aviation will be a reduction in overall Aviation EBITDA margins from over 60% in 2016 towards 40%, before rising volumes drive margins closer to 2016 levels.

Cash capex increased by $45.9m to $78.9m in the first half, including an increase of $3.5m to $33.5m in the second quarter, mainly due to investment related to the S-band satellite as well as growth in success-based capex in relation to the GX equipment installations for Deutsche Lufthansa Group.

Enterprise

	Three months ended 30 June			Half year ended 30 June		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue	32.9	38.5	(14.5)%	62.3	72.5	(14.1)%
Operating costs	(11.4)	(10.6)	7.5%	(18.7)	(18.5)	1.1%
EBITDA	**21.5**	**27.9**	**(22.9)%**	**43.6**	**54.0**	**(19.3)%**
EBITDA margin %	*65.3%*	*72.5%*		*70.0%*	*74.5%*	
Cash capex	**0.1**	**–**	**–**	**0.1**	**0.3**	**(66.7)%**

Key markets in Enterprise remain challenging, particularly Energy, and this trend of on-going market pressure continues to impact many of our product lines. However, following the re-focusing of our Enterprise business in 2016 towards specific market sectors, we are confident that the business will differentiate itself in the market and to deliver more sustainable long term growth. Reflecting this, there was an improvement in new business wins in the second quarter of 2017, compared to the first quarter. Nevertheless, in the near term, we expect the current revenue trends to continue.

Revenue in our Broadband Global Area Network (“BGAN”) product declined by 21.4% year-on-year in the first half, including a decline of 26.1% in the second quarter, mainly as a result of the increasingly competitive market environment, where land-based Ka-band and Ku-band and cellular alternatives are gaining traction.

GSPS terminal sales and airtime revenues were down 19.9% in the first half, including (23.5)% in the second quarter, due to continued decline in customer usage, despite an increase in the number of connected terminals to over 165,000 at the end of the quarter.

Fixed-to-mobile revenues decreased by 29.3% in the first half, including (39.4)% in the second 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 7.7% in the first half, including 10.6% in the second quarter. The number of connected M2M terminals increased to over 342,000 by the end of the period. Our performance in M2M continues to provide us with a strong foundation from which to nurture and grow potential development opportunities around the “Internet of Things” applications.

Total operating costs for the first half increased to $18.7m, from $18.5m in the prior period, including an increase to $11.4m in the second quarter, from $10.6m in the prior period. During H1 2017, despite lower revenue, direct costs were flat at around $9m, as a result of a deteriorating revenue mix, whilst indirect costs were reduced by $0.6m to $9.0m, reflecting a transfer of personnel to the centre.

EBITDA was 19.3% lower at $43.6m in the first half, from $54.0m in the prior year, and down 22.9% in the second quarter to $21.5m, from $27.9m in the prior year. EBITDA margin declined to 70.0% in the first half, from 74.5% in the prior period, including 65.3% in the second quarter of 2017, from 72.5%.

Central Services

	Three months ended 30 June			Half year ended 30 June		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenue						
Ligado Networks	32.2	35.5	(9.3)%	62.7	53.4	17.4%
Other	4.2	4.4	(4.5)%	7.2	8.1	(11.1)%
Total revenue	**36.4**	**39.9**	**(8.8)%**	**69.9**	**61.5**	**13.7%**
Operating costs	(70.6)	(55.4)	27.4%	(145.0)	(120.9)	19.9%
EBITDA	**(34.2)**	**(15.5)**	**120.6%**	**(75.1)**	**(59.4)**	**26.4%**
Cash capex	**123.6**	**60.6**	**104.0%**	**194.5**	**84.0**	**131.5%**

Revenue from Ligado Networks ("Ligado") in the first half increased by $9.3m, or 17.4%, to $62.7m, including a decrease of $3.3m, or 9.3%, in the second quarter, following the exercise of the 30MHz option by Ligado in June 2016. Full details of that exercise are set out in the HY16 results announcement. Ligado revenue in the first half includes $7.0m 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 half year period. At 30 June 2017 we held $190.0m of deferred revenue on the balance sheet in respect of the expected costs of implementation of this agreement.

We continue to invest in organisational capability, with a number of important initiatives well underway to improve our operational effectiveness and efficiency. In the first half of 2017, these included consolidating our billing systems into one global platform, improvements to our service delivery and service assurance platforms, the on-going roll-out of a global IT transformation programme, an enhanced cyber security system and the first stage of streamlining our customer interface. With further investment programmes planned, as we continue to bolster our organisational capability, the increase in central costs in the first half will remain a feature in the second half of the year.

During the first half of 2017, operating costs increased by $24.1m, or 19.9%, to $145.0m (2016: $120.9m), including an increase of $15.2m, or 27.4%, in the second quarter. Over the first half, direct costs increased by $5m to $7m reflecting higher inventory and bad debt provisions. Indirect costs increased by $20m reflecting $7m for activities transferred from Maritime and Enterprise and $13m mainly in respect of higher GX operational costs and further investment in our organisational capability noted above.

Central Services capital expenditure increased to $194.5m, from $84.0m in the prior year, including $123.6m in the second quarter, from $60.6m in the prior year. This increase was a result of further expenditure on the GX and I-6 satellite infrastructure, including the launch and insurance costs of the I-5 F4 satellite during the second quarter. In addition, there was further investment in organisational infrastructure, including IT and Cyber Security.

Reconciliation of EBITDA to profit after tax

	Three months ended 30 June			Half year ended 30 June		
($ in millions)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
EBITDA	**195.4**	**202.5**	**(3.5)%**	**377.2**	**368.1**	**2.5%**
Depreciation and amortisation	(95.4)	(84.1)	13.4%	(191.9)	(174.6)	9.9%
Other	(0.8)	(0.5)	60.0%	(0.4)	0.1	(500.0)%
Operating profit	**99.2**	**117.9**	**(15.9)%**	**184.9**	**193.6**	**(4.5)%**
Net financing costs	(22.7)	(20.3)	(11.8)%	(45.2)	(31.0)	45.8%
Taxation charge	(16.9)	(19.5)	(13.3)%	(24.2)	(33.7)	(28.2)%
Profit after tax	**59.6**	**78.1**	**(23.7)%**	**115.5**	**128.9**	**(10.4)%**

Depreciation and amortisation in the first half increased by $17.3m to $191.9m (including an increase of $11.3m to $95.4m in the second quarter) as a result of increased capital expenditure.

Net financing costs for the first half of 2017 was $45.2m, an increase of $14.2m from the same period last year, including $22.7m in the second quarter, a decrease of $2.4m. The increase is due to $13.0m of additional interest on the new senior notes and $8.7m payable on the intercompany loan payable to Inmarsat plc, offset by a reduction in interest paid on the Ex-Im and EIB facilities of $1.2m and $1.3m respectively. There was also a $7.1m increase in capitalised borrowing costs in the period due to higher capital expenditure compared with the same period last year.

The tax charge for the first half of 2017 was $24.2m, a decrease of $9.5m, compared with the same period of 2016. This is largely driven by the decrease in profit before tax, as outlined above as well as the more favourable treatment of profits under the Patent Box regime in the UK, which was secured in 2017 and applied retrospectively, resulting in some profits being taxed at 10%, rather than the statutory rate of 19.25%.

The effective tax rate for the half year ended 30 June 2017 was 17.0% (2016: 20.7%), partly reflecting the reduction in UK tax rate from 20% in 2016, to 19.25% in 2017.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event all such enquiries were settled as currently provided for, we estimate that the Group would incur a cash tax outflow of approximately $90m in 2018. The enquiries remain ongoing at this time.

Cash Flow

	Three months ended 30 June		**Half year ended 30 June**	
($ in millions)	**2017**	**2016**	**2017**	**2016**
EBITDA	**195.4**	**202.5**	**377.2**	**368.1**
Non-cash items	1.4	3.1	9.0	4.6
Change in working capital	10.2	13.5	4.8	47.4
Cash generated from operations	**207.0**	**219.1**	**391.0**	**420.1**
Capital expenditure	(170.6)	(100.6)	(300.8)	(139.1)
Net interest paid	(28.3)	(27.7)	(49.6)	(38.5)
Tax paid	(2.9)	(4.5)	(16.6)	(21.6)
Free cash flow	**5.2**	**86.3**	**24.0**	**220.9**
Dividends paid	(119.9)	(143.6)	(119.9)	(144.0)
Other movement including foreign exchange	(5.8)	(1.4)	(2.0)	(0.5)
Net cash flow	**(120.5)**	**(58.7)**	**(97.9)**	**76.4**
Increase in cash from transfer from short-term deposits with maturity >3 months	128.6	-	278.6	–
Repayment of borrowings & associated financing costs	3.9	(26.0)	(42.4)	(66.4)
Net increase/decrease in cash and cash equivalents	**12.0**	**(84.7)**	**138.3**	**10.0**
Opening net borrowings[1]	1,702.9	1,605.1	1,711.5	1,735.4
Net cash flow	120.5	58.7	97.9	(76.4)
Non-cash movements[2]	70.5	16.6	84.5	21.4
Closing net borrowings[1]	**1,893.9**	**1,680.4**	**1,893.9**	**1,680.4**

During the first half of 2017, free cash flow decreased by $196.9m to $24.0m (2016: $220.9m) driven primarily by an increase of $161.7m in capital expenditure (see below) and a lower contribution from working capital, driven primarily by a change in the timing of receipts from Ligado Networks. There was also $11.1m higher cash interest paid as a result of the refinancing in Q3 2016. In addition, there was a scheduled payment of $40.4m on the Ex-Im bank facility during the period, as there was in the comparable period in 2016.

The total dividend declared in the first half of 2017 was $185.0m (2016: $158.3m), $119.9m was cash settled and the balance of $65.1m was settled through the intercompany loan with Inmarsat plc. This increase in the intercompany loan has caused the $63.1m increase in non-cash movements in non-cash movement in net borrowings.

[1] Net borrowings is net of cash, cash equivalents and short term deposits, amortised.

[2] Includes the impact of deferred financing costs.

Capital Expenditure

	Three months ended 30 June		Half year ended 30 June	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Major infrastructure projects	127.3	66.3	203.5	100.2
Success-based capex	23.4	10.5	53.4	23.1
Other capex (e.g. maintenance, product development)	29.0	12.8	58.8	34.2
Cash flow timing	(9.1)	11.0	(14.9)	(18.4)
Total cash capital expenditure	**170.6**	**100.6**	**300.8**	**139.1**

The increase in major infrastructure projects capital investment in the first half primarily related to an increase in capital investment in the GX and I-6 satellite infrastructures, including the majority of launch and insurance costs relating to the I-5 F4 spacecraft. 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, which ramped up during the first half and second quarter of 2017."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 June 2017, the Group had cash and cash equivalents of $398.3m 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 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.
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 and competitors' strategy and therefore not target market opportunities.
3. Failure to successfully seize the Aviation passenger connectivity opportunity	We may fail to optimally assess our market, technological changes, customer requirements and competitors' strategy and to exploit the aviation in-flight connectivity ('IFC') market opportunity. 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 and competitors' strategy and to exploit market opportunities.
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 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 network may not be able to cope with the demand from users. Our network may suffer a cyber attack that damages our service offering and reputation. Elements of our ground network may fail which will affect our ability to provide service to our partners and customers.

Risk	Background and impact
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 fail to keep up with the business needs of our customers. 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. Cyber risk	We may suffer damage to satellites, networks, information/data, systems and processes as a result of malicious code, unauthorised access, service denial or related security compromise. This could mean a consequent 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. 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.
11. Failure to effectively 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 and/or technological difficulties which would impact our ability to generate revenues.

Risk	Background and impact
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. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe.
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 decisions, such as Brexit, may impact our business. We may suffer a terrorist attack on one of our network or office locations. Our staff and their families may suffer a local epidemic or global pandemic.

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the half year ended 30 June 2017 (unaudited)

	Three months ended 30 June		Half year ended 30 June	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Revenues	**356.0**	**330.4**	**688.2**	**629.0**
Employee benefit costs	(68.1)	(63.4)	(136.1)	(129.1)
Network and satellite operations costs	(51.7)	(41.5)	(96.7)	(84.8)
Other operating costs	(53.1)	(34.4)	(102.1)	(67.6)
Own work capitalised	12.3	11.4	23.9	20.6
Total net operating costs	(160.6)	(127.9)	(311.0)	(260.9)
EBITDA	**195.4**	**202.5**	**377.2**	**368.1**
Depreciation and amortisation	(95.4)	(84.1)	(191.9)	(174.6)
Impairment loss	(1.4)	(1.2)	(1.8)	(1.2)
Share of profit of associates	0.6	0.7	1.4	1.3
Operating profit	**99.2**	**117.9**	**184.9**	**193.6**
Financing income	1.7	0.4	3.7	1.7
Financing costs	(24.4)	(20.7)	(48.9)	(32.7)
Net financing costs	(22.7)	(20.3)	(45.2)	(31.0)
Profit before tax	**76.5**	**97.6**	**139.7**	**162.6**
Taxation charge	(16.9)	(19.5)	(24.2)	(33.7)
Profit for the period	**59.6**	**78.1**	**115.5**	**128.9**
Attributable to:				
Equity holders	**59.5**	**78.0**	**115.2**	**128.6**
Non-controlling interest[2]	**0.1**	**0.1**	**0.3**	**0.3**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2017 (unaudited)

	Three months ended 30 June		Half year ended 30 June	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Profit for the period	**59.6**	**78.1**	**115.5**	**128.9**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	0.6	(0.1)	0.4	–
Net gain/(loss) on cash flow hedges	5.7	(12.9)	8.2	(12.1)
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	1.5	3.0	1.5	3.0
Tax credited directly to equity	(0.4)	(0.6)	(0.4)	(0.6)
Other comprehensive income/(loss) for the period, net of tax	**7.4**	**(10.6)**	**9.7**	**(9.7)**
Total comprehensive income for the period, net of tax	**67.0**	**67.5**	**125.2**	**119.2**
Attributable to:				
Equity holders	**66.9**	**67.4**	**124.9**	**118.9**
Non-controlling interest	**0.1**	**0.1**	**0.3**	**0.3**

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

($ in millions)	As at 30 June 2017 (unaudited)	As at 31 Dec 2016 (audited)	As at 30 June 2016 (unaudited)
Assets			
Non-current assets			
Property, plant and equipment	3,145.9	2,971.4	2,868.8
Intangible assets	762.2	796.4	764.5
Investments	14.7	13.2	12.9
Other receivables	17.1	11.7	22.6
Deferred tax asset	37.0	38.6	43.4
Derivative financial instruments	–	0.1	0.7
	3,976.9	**3,831.4**	**3,712.9**
Current assets			
Cash and cash equivalents[1]	398.3	259.7	183.5
Short-term deposits[2]	116.4	395.0	–
Trade and other receivables	330.6	326.0	295.9
Inventories	31.5	34.3	25.2
Current tax assets	14.2	8.5	5.7
Derivative financial instruments	1.9	1.7	1.0
Restricted cash	2.3	2.3	2.3
	895.2	**1,027.5**	**513.6**
Total assets	**4,872.1**	**4,858.9**	**4,226.5**
Liabilities			
Current liabilities			
Borrowings	537.4	459.7	227.6
Trade and other payables	522.8	497.1	480.6
Provisions	1.2	1.9	0.9
Current tax liabilities	147.6	144.5	127.1
Derivative financial instruments	10.8	5.9	0.8
	1,219.8	**1,109.1**	**837.0**
Non-current liabilities			
Borrowings	1,871.2	1,906.5	1,636.3
Other payables	27.2	41.5	42.1
Provisions	13.9	2.8	2.8
Deferred tax liabilities	217.0	208.3	213.2
Derivative financial instruments	7.3	20.1	12.0
	2,136.6	**2,179.2**	**1,906.4**
Total liabilities	**3,356.4**	**3,288.3**	**2,743.4**
Net assets	**1,515.7**	**1,570.6**	**1,483.1**
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	677.4	677.4	677.4
Other reserves	411.2	396.9	403.6
Retained earnings	426.4	495.3	401.4
Equity attributable to shareholders	**1,515.4**	**1,570.0**	**1,482.8**
Non-controlling interest	**0.3**	0.6	**0.3**
Total equity	**1,515.7**	**1,570.6**	**1,483.1**

[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 half year ended 30 June 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**	**0.9.9**	**(0.5)**	**327.8**	**429.0**	**0.6**	**1,517.2**
Share options charge	–	–	5.9	–	–	–	(0.3)	–	5.6
Dividends paid	–	–	–	–	–	–	(158.3)	(0.6)	(158.9)
Comprehensive Income:									
Profit for the year	–	–	–	–	–	–	128.6	0.3	128.9
OCI – before tax	–	–	–	(12.1)	–	–	3.0	–	(9.1)
OCI – tax	–	–	–	–	–	–	(0.6)	–	(0.6)
Balance at 30 June 2016 (unaudited)	**0.4**	**677.4**	**87.5**	**(11.2)**	**(0.5)**	**327.8**	**401.4**	**0.3**	**1,483.1**
Balance at 1 January 2017 (audited)	**0.4**	**677.4**	**92.7**	**(23.3)**	**(0.3)**	**327.8**	**495.3**	**0.6**	**1,570.6**
Share options charge	–	–	5.7	–	–	–	(0.2)	–	5.5
Dividends paid	–	–	–	–	–	–	(185.0)	(0.6)	(185.6)
Comprehensive Income:									
Profit for the year	–	–	–	–	–	–	115.2	0.3	115.5
OCI – before tax	–	–	–	8.2	0.4	–	1.5	–	10.1
OCI – tax	–	–	–	–	–	–	(0.4)	–	(0.4)
Balance at 30 June 2017 (unaudited)	**0.4**	**677.4**	**98.4**	**(15.1)**	**0.1**	**327.8**	**426.4**	**0.3**	**1,515.7**

[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).

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the half year ended 30 June 2017 (unaudited)

($ in millions)	Three months ended 30 June 2017	Three months ended 30 June 2016	Half year ended 30 June 2017	Half year ended 30 June 2016
Cash flow from operating activities				
Cash generated from operations	207.0	219.2	391.0	420.1
Interest received	0.9	0.4	1.5	0.6
Tax paid	(2.9)	(4.5)	(16.6)	(21.6)
Net cash inflow from operating activities	**205.0**	**215.1**	**375.9**	**399.1**
Cash flow from investing activities				
Dividends received from associates	0.6	–	0.6	–
Purchase of property, plant and equipment	(155.6)	(87.2)	(268.2)	(118.5)
Additions to intangible assets	(2.6)	–	(8.6)	–
Own work capitalised	(12.4)	(13.4)	(24.0)	(20.6)
Short-term cash deposits >3 months	128.6	–	278.6	–
Investment in financial asset	(1.1)	–	(1.1)	–
Net cash used in investing activities	**(42.5)**	**(100.6)**	**(22.7)**	**(139.1)**
Cash flow from financing activities				
Dividends paid	(119.9)	(143.6)	(119.9)	(144.0)
Repayment of borrowings	–	(25.7)	(40.4)	(66.1)
Interest paid	(29.2)	(28.1)	(51.1)	(39.1)
Arrangement costs of financing	–	(0.3)	(1.1)	(0.3)
Other financing activities	(1.2)	(1.3)	(0.9)	(1.0)
Net cash used in financing activities	**(150.3)**	**(199.0)**	**(213.4)**	**(250.5)**
Foreign exchange adjustment	(0.2)	(0.1)	(1.5)	0.5
Net increase/(decrease) in cash and cash equivalents	**12.0**	**(84.6)**	**138.3**	**10.0**
Cash and cash equivalents				
At beginning of the period	385.5	267.6	259.2	172.9
Net increase/(decrease) in cash and cash equivalents	12.0	(84.7)	138.3	10.0
At end of the period (net of bank overdrafts)	**397.5**	**182.9**	**397.5**	**182.9**
Comprising:				
Cash at bank and in hand	70.9	81.1	70.9	81.1
Short-term deposits with original maturity of less than three months	327.4	102.4	327.4	102.4
Bank overdrafts	(0.8)	(0.6)	(0.8)	(0.6)
Net cash and cash equivalents at end of period	**397.5**	**182.9**	**397.5**	**182.9**

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 half year ended 30 June 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 June		Half year ended 30 June	
($ in millions)	**2017**	**2016**	**2017**	**2016**
Revenues				
Maritime	139.3	146.6	278.4	289.7
Government	101.5	72.0	187.5	140.7
Enterprise	32.9	38.5	62.3	72.5
Aviation	45.9	33.4	90.1	64.6
Central Services[1]	36.4	39.9	69.9	61.5
Total revenues	**356.0**	**330.4**	**688.2**	**629.0**
EBITDA				
Maritime	109.6	114.8	220.4	227.1
Government	73.5	52.5	137.8	101.2
Enterprise	21.5	27.9	43.6	54.0
Aviation	25.0	22.8	50.5	45.2
Central Services[1]	(34.2)	(15.5)	(75.1)	(59.4)
Total EBITDA	**195.4**	**202.5**	**377.2**	**368.1**
Depreciation and amortisation	(95.4)	(84.1)	(191.9)	(174.6)
Other	(0.8)	(0.5)	(0.4)	0.1
Operating profit	**99.2**	**117.9**	**184.9**	**193.6**
Net financing costs	(22.7)	(20.3)	(45.2)	(31.0)
Profit before tax	**76.5**	**97.6**	**139.7**	**162.6**
Taxation charge	(16.9)	(19.5)	(24.2)	(33.7)
Profit for the period	**59.6**	**78.1**	**115.5**	**128.9**

Cash capital expenditure[2]				
Maritime	11.6	9.5	22.4	21.1
Government	1.8	0.5	4.9	0.7
Enterprise	0.1	–	0.1	0.3
Aviation	33.5	30.0	78.9	33.0
Central Services	123.6	60.6	194.5	84.0
Total cash capital expenditure	**170.6**	**100.6**	**300.8**	**139.1**
Financing costs capitalised in the cost of qualifying assets	8.9	1.6	19.2	12.1
Cash flow timing[3]	9.1	(11.0)	14.9	18.4
Total capital expenditure	**188.6**	**91.2**	**334.9**	**169.6**

[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 June 2017	Three months ended 30 June 2016	Half year ended 30 June 2017	Half year ended 30 June 2016
Bank interest receivable and other interest	(1.7)	(0.4)	(3.7)	(1.7)
Total financing income	**(1.7)**	**(0.4)**	**(3.7)**	**(1.7)**
Interest on Senior Notes and credit facilities	23.5	17.4	47.2	36.8
Amortisation of debt issue costs	2.2	1.8	6.0	3.5
Amortisation of discount on Senior Notes due 2022	0.2	0.2	0.5	0.5
Amortisation of discount on deferred satellite liabilities	0.2	0.2	0.3	0.3
Net interest on the net pension asset and post-employment liability	0.7	0.2	1.4	0.2
Other interest	1.2	1.5	2.0	1.5
Intercompany interest payable	5.3	1.0	10.7	2.0
	33.3	**22.3**	**68.1**	**44.8**
Less: Amounts capitalised in the cost of qualifying assets[1]	(8.9)	(1.6)	(19.2)	(12.1)
Financing costs	**24.4**	**20.7**	**48.9**	**32.7**
Net financing costs	**22.7**	**20.3**	**45.2**	**31.0**

[1] The current period capitalised financing costs balance of $19.2m 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 June 2017			At 31 December 2016		
($ in millions)	Amount	Deferred finance costs	Net balance	Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	0.8	–	0.8	0.5	–	0.5
Deferred satellite payments	2.6	–	2.6	3.8	–	3.8
Ex-Im Bank Facilities	99.5	–	99.5	99.5	–	99.5
Intercompany loan	434.5	–	434.5	355.9	–	355.9
Total current borrowings	**537.4**	**–**	**537.4**	**459.7**	**–**	**459.7**
Non-current:						
Deferred satellite payments	7.9	–	7.9	8.4	–	8.4
Senior Notes due 2022	1,000.0	(5.6)	994.4	1,000.0	(6.1)	993.9
– Net issuance discount	(5.0)	–	(5.0)	(5.5)	–	(5.5)
Senior Notes due 2024	400.0	(5.3)	394.7	400.0	(5.6)	394.4
Ex-Im Bank Facilities	493.5	(14.3)	479.2	533.9	(18.6)	515.3
Total non-current borrowings	**1,896.4**	**(25.2)**	**1,871.2**	**1,936.8**	**(30.3)**	**1,906.5**
Total borrowings	**2,433.8**	**(25.2)**	**2,408.6**	**2,396.5**	**(30.3)**	**2,366.2**
Cash and cash equivalents	(398.3)	–	(398.3)	(259.7)	–	(259.7)
Short-term deposits	(116.4)	–	(116.4)	(395.0)	–	(395.0)
Net borrowings	**1,919.1**	**(25.2)**	**1,893.9**	**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 Annual Report.

6. Fair value of financial instruments

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

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

The fair values at the Balance Sheet date were:

($ in millions)	At 30 June 2017	At 31 December 2016
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.9	0.8
Forward foreign currency contracts – undesignated cash flow hedges	–	1.0
Total derivative financial assets	**1.9**	**1.8**
Financial liabilities:		
Forward foreign currency contracts– designated cash flow hedges	(17.9)	(23.9)
Forward foreign currency contracts – undesignated cash flow hedges	(0.2)	(2.2)
Total derivative financial liabilities	**(18.1)**	**(26.1)**
Net derivative financial liabilities	**(16.2)**	**(24.3)**

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

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

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

	At 30 June 2017		**At 31 December 2016**	
($ in millions)	**Carrying Value**	**Fair value**	**Carrying value**	**Fair value**
Financial liabilities:				
Senior Notes due 2022	1,000.0	1,015.0	1,000.0	975.0
Senior Notes due 2024	400.0	428.6	400.0	408.3
Ex-Im Bank Facilities	593.0	648.9	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 six months and description of principal risks and uncertainties for the remaining six months of the year; and

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

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

By order of the Board,

Rupert Pearce	Tony Bates
Chief Executive Officer	Chief Financial Officer
3 August 2017	3 August 2017

INDEPENDENT REVIEW REPORT TO INMARSAT GROUP LIMITED

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
3 August 2017