inmarsat

Inmarsat plc reports Preliminary Full Year Results 2018

Consistent Revenue and EBITDA growth

London, UK: 7 March 2019. Inmarsat plc (LSE: ISAT.L), ("Inmarsat", the "Group"), the world leader in global mobile satellite communications, today announces unaudited financial results for the year ended 31 December 2018.

Summary and Financial Highlights

In 2018, Inmarsat delivered good growth in Revenue and EBITDA, with year-on-year increases of 5.3% and 4.2% respectively and consistent quarter-on-quarter improvement. This result, building on the return to growth established in 2017, was driven by the strength of our global GX broadband offering, particularly in Aviation, Government and Maritime, and by lower indirect costs. Aviation revenues grew by over 40%, within which In-Flight Connectivity revenues more than doubled.

$ in millions	Full Year				Fourth Quarter			
	2018	2017 (restated)[1]	Change	Change (%)	2018	2017 (restated)[1]	Change	Change (%)
Group revenue	**1,465.2**	**1,391.7**	**73.5**	**5.3%**	**378.7**	**351.8**	**26.9**	**7.6%**
Maritime	552.8	567.3	(14.5)	(2.6%)	135.7	144.4	(8.7)	(6.0%)
Government	381.0	366.7	14.3	3.9%	102.7	90.8	11.9	13.1%
Aviation	256.1	181.8	74.3	40.9%	72.4	47.7	24.7	51.8%
Enterprise	130.0	132.6	(2.6)	(2.0%)	31.4	32.1	(0.7)	(2.2%)
Ligado and other[2]	145.3	143.3	2.0	1.4%	36.5	36.8	(0.3)	(0.8%)
EBITDA[3]	**770.1**	**739.3**	**30.8**	**4.2%**	**190.6**	**166.3**	**24.3**	**14.6%**
PAT	**125.0**	**185.0**	**(60.0)**	**(32.4%)**	**29.1**	**33.5**	**(4.4)**	**(13.1%)**
Adjusted PAT[3]	**148.2**	**193.4**	**(45.2)**	**(23.4%)**	**26.2**	**26.1**	**0.1**	**0.4%**

Operational Highlights[4]

- **2018 Group Revenue** (ex Ligado) increased by $71.6m, or 5.7%, to $1,334.5m, including $26.6m increase in Q4:
  - **Maritime:** consistent double-digit growth in revenues and further market share capture in the fast-growing VSAT segment. New strategies are being implemented in the mid-market, to help protect market share, as customers migrate to VSAT
  - **Government:** sustained and growing penetration of the US customer base. Revenues little changed in other markets
  - **Aviation:** In-Flight Connectivity ("IFC") revenues more than doubled to $101.3m, including first GX IFC airtime revenues and with materially improved cash flow. Improved IFC market position with growing order book and strategic Panasonic agreement. Core business continues to deliver high margin double-digit revenue growth
  - **Enterprise:** legacy markets remain in long term decline, with foundations to access the emerging global satellite "Industrial Internet-of-Things" ("IIoT") opportunity building steadily
  - **GX airtime and related revenues**[4]: grew by around 85% to $250.9m (2017: $135.9m)

- **2018 Group EBITDA** (ex Ligado) increased by $27.0m, or 4.4%, to $639.5m, including $23.3m increase in Q4, reflecting growth in revenue and absence of further restructuring charges
- **2018 Group Profit After Tax**: down $60.0m (32.4%) to $125.0m, with higher EBITDA more than offset by higher depreciation
- **Further development of technology roadmap:** GX-5 and I-6 satellite programs on track, new lower cost, higher functionality network architecture in development to drive meaningful moderation in capex from 2021
- These operational highlights exclude the impact of Ligado, which is not part of our core operations. Ligado contributed revenues of $130.7m (2017: $128.8m) and EBITDA of $130.6m (2017: $126.8m).

1 2017 figures have been restated throughout this announcement to reflect the adoption of IFRS15 and the accounting policy change for unallocated launch slots. The Group has also adopted IFRS16 and IFRS9 as of 1 January 2018. Please refer to Appendix 2 of this document for further details.

2 Comprises revenue contribution from Central Services and Ligado Networks.

3 In response to the Guidelines on Alternative Performance Measures ('APM's) issued by the European Securities and Markets Authority, we have provided additional information on the APMs used by the Group, including definitions and reconciliations to statutory measures, within Appendix 1 of this document.

4 GX revenues restated for IFRS15 (impacting 2017 figures only) and to include Fleet Xpress terminal revenues, which were not previously included.

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

"Inmarsat delivered consistent growth in 2018, building on our return to growth established in 2017. I am particularly pleased by the 85% revenue growth in GX services and a doubling of our IFC revenues, both of which augur well for the future.

"We remain focused on building and defending substantial market share in our target markets, supported by our diversified product portfolio and leading-edge networks. This will ensure we are able to fully capitalise on both the immediate and longer-term growth opportunities in these markets.

"Supported by a tightly controlled cost base and an infrastructure capital investment programme which we are confident will meaningfully and sustainably moderate from 2021, we expect to generate sustained free cash flow growth over the medium to long term."

Future Guidance

The Board remains confident about the future prospects and outlook for the Group, and provides the following guidance:

- A target of mid-single digit percentage revenue growth on average over the five year period, 2018 to 2022, with EBITDA and free cash flow generation improving steadily[1] (unchanged)
- 2019 revenue, ex Ligado, of $1,300m to $1,400m (new)
- Annual GX revenues at a run rate of $500m by the end of 2020 (unchanged)
- Cash Capex of $500m to $600m per annum for 2019 and 2020 (unchanged)
- Capex is expected to meaningfully moderate thereafter 2020, falling initially to within a range of $450m to $550m in 2021 (updated)
- Net Debt: EBITDA to normally remain below 3.5x (unchanged)

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

The diversity of our business, with a focussed and attractive set of core end markets that offer scale and growth potential, and where we lead with sustainable differentiation, will remain a key strength for Inmarsat going forward.

Results conference call

Inmarsat management will discuss the results at a presentation at Inmarsat offices on Thursday 7 March at 09.00am UK time. The presentation can be accessed by dialling +44 (0)20 7192 8000 (from the UK and Europe) or +1 631 510 7495 (from the US), with a passcode of 8267758 and is also accessible via this link: https://edge.media-server.com/m6/p/jdto6bko.

Contacts:

Investor Enquiries:
Rob Gurner
Tel: +44 (0)20 7728 1518
rob.gurner@inmarsat.com

Media Enquiries:
Jonathan Sinnatt
Tel: +44 (0)20 7728 1935
jonathan.sinnatt@inmarsat.com

1 Excluding any impact of ongoing exceptional tax matter discussed on page 13.

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of the operations and financial condition of Inmarsat plc (the “Company” or, together with its subsidiaries, the “Group”) for the period ended 31 December 2018. This should be reviewed together with the whole of this document including the 2018 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. The Group has adopted new accounting policies for the financial year ending 31 December 2018, which are outlined in Appendix 2 of this announcement.

In addition to accounting policies we use a number of Alternative Performance Measures (APMs) in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. More detail on accounting policies and APMs can be found in the Appendices of this report.

Introduction

Inmarsat produced another year of revenue growth in 2018, helping us to deliver solid growth in EBITDA for the year, driven by the strength of our diversified growth portfolio and continued operational delivery.

In broadband, our focus is on continuing to capture market share and win new customers for the long term, particularly in the fast-growing markets of Maritime VSAT and Commercial Aviation, as well as optimising major strategic opportunities in Government.

Our track record in L-band services provides us with a strong foundation from which to target emerging opportunities, particularly in areas such as satellite IIoT, next generation maritime and aviation safety, highly resilient satcoms, and satcoms services to very small or ultra-mobile platforms.

Inmarsat remains well placed for the future, as we continue to leverage the power of our established market position, deliver a market-leading technology roadmap and take a disciplined approach to our cost base and capital expenditure programmes, all of which underpin our confidence in our ability to drive growth in revenue, EBITDA and free cash flow.

Group Financial Highlights

	Full Year			Fourth Quarter		
($ in millions)	2018	2017 (restated)	Change	2018	2017 (restated)	Change
Revenue						
Satellite services	1,334.5	1,262.9	5.7%	345.7	319.1	8.3%
Ligado revenue	130.7	128.8	1.5%	33.0	32.7	0.9%
Total revenue	**1,465.2**	**1,391.7**	**5.3%**	**378.7**	**351.8**	**7.6%**
Direct costs	(255.0)	(190.7)	(33.7%)	(75.4)	(57.1)	(32.0%)
Gross Margin	**1,210.2**	**1,201.0**	**0.8%**	**303.3**	**294.7**	**2.9%**
Indirect costs	(440.1)	(461.7)	4.7%	(112.7)	(128.4)	12.2%
EBITDA	**770.1**	**739.3**	**4.2%**	**190.6**	**166.3**	**14.6%**
EBITDA margin %	52.6%	53.1%		50.3%	47.3%	
Cash capex	**590.7**	**614.1**	**3.8%**	**175.4**	**204.9**	**14.4%**

Group revenues increased in 2018 by $73.5m, including an increase of $26.9m in Q4, mainly driven by double-digit growth in Aviation, as well as another strong Government performance. GX-generated airtime and related revenues[1] were $250.9m for the year, up from $135.9m in 2017, including $70.4m in Q4 2018, from $38.1m in Q4 2017.

Direct costs increased by $64.3m in the year, including $18.3m in Q4, mainly reflecting increased low margin equipment sales, particularly in Aviation, and higher provisions against possible future bad debts.

1 GX revenues restated for IFRS15 (impacting 2017 figures only) and to include Fleet Xpress terminal revenues, which were not previously included.

Indirect costs fell by $21.6m, including $15.7m in Q4, mainly reflecting the $19.9m restructuring charge in Q4 2017 which was not repeated in 2018. An adverse impact from currency movements was offset by the impact of implementation of IFRS16, which moved lease costs into depreciation.

EBITDA was consequently $30.8m higher in 2018, including an increase of $24.3m in Q4. EBITDA margin fell slightly to 52.6%, from 53.1% in 2017.

Cash capex levels continue to reflect the current major infrastructure projects, particularly the GX-5 and I-6 satellite infrastructures.[1]

Maritime

Market overview & Inmarsat's position

Digitalisation remains the key driver of Maritime satellite connectivity, with an increasing use of commercial applications, for example real-time engine monitoring, enabling a more efficient operating environment for ship owners and fleet managers. These customers are also leveraging bandwidth to deliver internet applications for crew, including entertainment streaming and social media platforms.

This increasing customer demand for higher bandwidth is driving the fast-growing VSAT market, which is expected to increase significantly from c. 25,000 vessels today to over 50,000 vessels by the end of 2023[2]. The vast majority of this market growth is expected to be driven by vessels migrating from the mature mid-market, as well as new ships coming to market with linefit-installed VSAT terminals.

In 2016, we launched our, now, market-leading GX-based VSAT product, Fleet Xpress ("FX"), which uniquely has our L-band product, FleetBroadband ("FB") integrated seamlessly within it. In 2018, FX garnered c. 50% of all new VSAT installations globally[2]. This success has ensured that, over the last 3 years, our installed VSAT vessel base has more than doubled to c. 6,200 vessels, equating to a c. 25% market share of the entire VSAT market[2] (2016: c. 3,000 vessels, c.15% market share[2]).

A significant portion of the vessels moving to VSAT are migrating from the mid-market, which currently stands at c. 45,000 vessels but is expected to decline to c. 25,000 vessels by 2023[3], almost entirely as a result of this migration. This is a market where we have historically held substantial market share through FB, which we aim to continue to protect going forward. Our incumbency, combined with our market-leading VSAT offer, positions us well for sustained market share growth in the industry.

As part of this expected transition, in 2018 we saw a net reduction of 3,739 vessels in FB, our leading and long-established mid-market product. The most material driver of this reduction was customers moving to VSAT offerings, including 1,585 vessels migrating to our FX product. This represents the majority of our FB customers moving to VSAT, with the remainder moving to competitor VSAT offerings. L-band competition remains limited.

We are highly confident that, over time, we will continue to grow our market share in the highly valuable and fast-growing VSAT market segment, both through the migration of a high proportion of our existing FB customers to FX, as well as through winning a high proportion of new customers in the form of line-fit new vessel installations or the transition of existing vessels from third party VSAT networks to GX. We currently have over 5,000 committed vessels on FX from our Take-or-Pay partners.

In both FB and FX, we have introduced enhanced product offerings (for example Crew Xpress, our new crew-focused, FX-based, product), targeted price incentives and new sales and marketing strategies with favourable initial market reaction. Whilst these actions will ensure we continue to retain and/or capture market share, VSAT ARPU will continue to reduce for some time as our distribution channel provides a greater proportion of new VSAT revenues at wholesale rather than retail pricing. However, over the medium to long term, the migration to FX is expected to have a beneficial impact on Maritime's overall ARPU, driven by customer transition to higher value data packages.

1 Cash capex in 2017, restated for IFRS15, was $15.4m higher than previously stated, due to the reclassification of installation costs from cash generated from operations to cash used in investing activities.

2 Source: Euconsult. Market size estimates include commercial maritime, offshore energy, passenger ships and super yachts.

3 Source: Clarksons. Market size estimates include commercial maritime, offshore energy, passenger ships and super yachts.

2018 results

($ in millions)	Full Year 2018	2017 (restated)	Change	Fourth Quarter 2018	2017 (restated)	Change
Revenue	552.8	567.3	(2.6%)	135.7	144.4	(6.0%)
Direct Costs	(85.2)	(84.0)	(1.4%)	(23.8)	(23.6)	(0.8%)
Gross Margin	467.6	483.3	(3.2%)	111.9	120.8	(7.4%)
Indirect costs	(38.6)	(36.3)	(6.3%)	(9.5)	(10.9)	12.8%
EBITDA	**429.0**	**447.0**	**(4.0%)**	**102.4**	**110.0**	**(6.9%)**
EBITDA margin %	*77.6%*	*78.8%*	–	*75.5%*	*76.2%*	–
Cash capex	(54.4)	(45.9)	(18.5%)	(17.4)	(10.9)	(59.6%)
Business Unit Operating Cash Flow	**374.6**	**401.1**	**(6.6%)**	**85.0**	**99.1**	**(14.2%)**

Maritime revenue declined by $14.5m in 2018, including a decrease of $8.7m in Q4, with further strong growth from VSAT products, including FX, ($27.0m), higher terminal sales ($6.1m), and modest growth from Fleet One ($2.6m), offset by lower revenue from FB ($37.5m, of which $19m, or c. 50%, related to vessel migrations to FX) and other mainly legacy products ($12.7m).

Direct costs increased by $1.2m in 2018, including an increase of $0.2m in Q4, mainly reflecting increased terminal sales and higher provisions against possible future bad debts, which more than offset leased capacity cost savings from the migration of XL vessels to FX. Indirect costs increased by $2.3m during the year, but reduced by $1.4m in Q4, mainly due to timing of marketing spend for the Volvo Ocean Race, which finished in June 2018.

EBITDA in 2018 declined by $18.0m and by $7.6m in the fourth quarter. EBITDA margin decreased to 77.6% in the year, (from 78.8% in 2017), and to 75.5% in the fourth quarter (from 76.2% in 2017).

Maritime capex increased by $8.5m to $54.4m during the year (including an increase of $6.5m to $17.4m in Q4), reflecting increased FX customer installations.

Product performance

Full year	Revenue ($ in millions) 2018	2017	Number of vessels 2018	2017	Average Revenue per User (“ARPU”) 2018	2017
FleetBroadband (“FB”)	311.6	349.2	32,366	36,105	756	780
VSAT (XL and FX)	151.4	124.4	6,219	4,332	2,391	2,885
Fleet One	7.6	5.0	4,072	3,083	100	100
Equipment sales	20.1	13.9	n/a	n/a	n/a	n/a
Legacy products	62.1	74.8	n/a	n/a	n/a	n/a

Fourth Quarter	Revenue ($ in millions) 2018	2017	Number of vessels 2018	2017	Average Revenue per User (“ARPU”) 2018	2017
FleetBroadband (“FB”)	73.5	86.9	32,366	36,105	745	794
VSAT (XL and FX)	39.8	32.9	6,219	4,332	2,215	2,646
Fleet One	2.2	1.8	4,072	3,083	91	111
Equipment sales	5.4	5.3	n/a	n/a	n/a	n/a
Legacy products	14.8	17.5	n/a	n/a	n/a	n/a

There was consistent strong growth in VSAT during 2018, with 21.7% revenue growth in the year, including 21.0% in Q4. At the end of 2018, there were 6,219 installed VSAT vessels (5,375 of which were FX vessels) with the installation backlog remaining at c. 650 vessels. The VSAT vessel base installed by our distribution partners was 30% of installed vessels, from 14% at the end of 2017.

FX installations remain in the range of our anticipated quarterly installation run rate going forward, with 649 vessels installed in Q4, slightly ahead of Q3. The proportion of new customer FX installations remained high at c. 19%, both during the year and in Q4. The XL migration programme is on track for completion by the end of 2019, with c. 850 vessels remaining at the end of 2018.

FB revenues fell by 10.8% in 2018, including 15.4% in Q4, with an annual FB vessel decline of 3,739 vessels, including a decline of 1,143 vessels in Q4. The vast majority of the FB vessels lost over the year moved to VSAT, with the majority of these migrations trading up to FX, with the remainder going to competitor VSAT offerings. L-band competition remained limited, while there was also some impact from scrappage on FB vessel losses but these were broadly offset by the number of FB installations on new builds during the year. FB ARPU declined by 6.3% to $756 per month in 2018, reflecting the migration to VSAT being weighted towards higher usage, higher ARPU customers.

Fleet One airtime and equipment revenue increased by 52.0% to $7.6m in 2018, up 22.2% to $2.2m in Q4, with c. 100 new vessels being installed in Q4.

Equipment revenue, to help drive market share and win new customers, increased by $6.2m to $20.1m in 2018, (up $0.1m in Q4 to $5.4m). Our other mainly low margin and legacy products declined by $12.7m, or 17.0%, in 2018, including a decline of $2.7m, or 15.4%, in Q4, which was a slightly improved run rate from previous quarters, reflecting the resilience of some of our legacy products.

Government

Market overview & Inmarsat's position

Retail revenue in global Government and Military commercial satellite communications is expected to grow by c. 7% per annum, from 2017 to 2027[1], despite a competitive and price sensitive market environment, driven by further increases in the provision of services for customers on the move. This rise in mobility communications will continue to be fuelled by customer demand for services over broadband and L-band networks and by some customers further augmenting their military communications systems with commercial satellite capabilities.

Consequently, there is a significant opportunity for satellite operators with the appropriate level of capabilities and coverage to become integrated within proprietary networks of certain key government customers. For a number of years, Inmarsat has been at the forefront of this dynamic, evidenced by our Government business growing its revenue base by c. 33% since 2015.

This growth has primarily been driven by our US Government business, where we are becoming more embedded in a number of significant customer platforms. This will help to support a stable long term growth profile, with incremental revenue being generated from increased customer usage through our service delivery around event-driven activities and via a higher number of installed terminals for customers. Outside the US, we have continued to seek to diversify and internationalise our product portfolio and market presence.

2018 results

	Full Year			Fourth Quarter		
($ in millions)	2018	2017	Change	2018	2017	Change
Revenue	381.0	366.7	3.9%	102.7	90.8	13.1%
Direct costs	(66.9)	(54.4)	(23.0%)	(19.4)	(14.8)	(31.1%)
Gross Margin	**314.1**	**312.3**	**0.6%**	**83.3**	**76.0**	**9.6%**
Indirect costs	(43.9)	(47.1)	6.8%	(12.2)	(13.1)	6.9%
EBITDA	**270.2**	**265.2**	**1.9%**	**71.1**	**62.9**	**13.0%**
EBITDA margin %	*70.9%*	*72.3%*	–	*69.2%*	*69.3%*	–
Cash capex	(5.0)	(9.9)	49.5%	(2.9)	(2.5)	(16.0%)
Business Unit Operating Cash Flow	**265.2**	**255.3**	**3.9%**	**68.2**	**60.4**	**12.9%**

1 Source: NSR.

In 2018, Government revenue increased by $14.3m, 3.9%, to $381.0m, supported by a particularly strong performance in Q4, when revenue was up $11.9m, 13.1%, to $102.7m.

This performance was driven in particular by our US Government business, which delivered revenue growth of 6.4% in 2018 and 18.8% in Q4, supported by several new business wins in the year. There was further progress in the Boeing Take-or-Pay contract, with a further material increase in underlying revenues in the year. Our Q4 performance in the US was further bolstered by new leases and increased government expenditure under long term customer contracts.

Outside the US, revenues were 1.1% lower in the year but were up 1.3% in Q4, driven by increased product usage across a number of customers.

Direct costs increased by $12.5m in 2018, including $4.6m in Q4, mainly due to revenue growth and mix. Indirect costs were reduced by $3.2m in the year, including $0.9m in Q4, due to lower employee costs and other cost savings.

Mainly as a result of higher revenue, EBITDA increased by $5.0m in 2018, including an increase of $8.2m in Q4 but EBITDA margin for the year decreased to 70.9% (2017: 72.3%), driven by revenue mix.

Aviation

Market overview & Inmarsat's position

In Aviation we operate in three market segments – In-Flight Connectivity ("IFC"), Business and General Aviation ("BGA") and Safety and Operational Services ("SOS").

IFC is predicted to become the largest global aviation segment for mobile satellite communications in the future, with around 23,000 commercial aircraft expected to be connected by 2027, up from 7,400 in 2017, by when the penetration of IFC solutions in commercial aviation is expected to be over 60%, from 30% in 2017[1].

With the global IFC market in the midst of a highly competitive market capture phase, Inmarsat has gained significant positive momentum in building a market position, winning new contracted customers, helping to install those customers with IFC systems and bringing those customers into service. Our strategic collaboration agreement with Panasonic Avionics Corporation ("Panasonic") is expected to help further cement a global leadership position for Inmarsat in IFC over the longer term.

Growth in the BGA market will be driven by growing bandwidth requirements per aircraft and the continued increase in aircraft using connectivity services, with the number of connected business aircraft expected to grow by 5% CAGR, between 2017 to 2027, from 21,600 to 35,000 aircraft[1]. With a long-standing, leading, position in this segment, Inmarsat has a sizeable customer base and diverse distribution network on which to build. This foundation enables Inmarsat to capture market share, through the on-going market penetration of our high bandwidth product, Jet ConneX.

With more commercial aircraft expected to enter service and the arrival of a new generation of services to the cockpit, as well as the opportunity to support the deployment of real-time 'connected aircraft' IIoT applications, the SOS market is also expected to grow strongly over the coming years. Wholesale revenues in this sector are expected to grow from $200m in 2017 to $900m by 2027[2]. Inmarsat is already a leader in this market and we expect to strengthen our market position further through new products and services.

1 Source: Euroconsult.

2 Source: NSR.

2018 results

($ in millions)	Full Year 2018	Full Year 2017 (restated)	Full Year Change	Fourth Quarter 2018	Fourth Quarter 2017 (restated)	Fourth Quarter Change
Revenue	256.1	181.8	40.9%	72.4	47.7	51.8%
Direct costs	(56.3)	(12.3)	(357.7%)	(18.4)	(4.8)	(283.3%)
Gross Margin	**199.8**	**169.5**	**17.9%**	**54.0**	**42.9**	**25.9%**
Indirect costs	(67.9)	(65.6)	(3.5%)	(18.5)	(14.9)	(24.2%)
EBITDA	**131.9**	**103.9**	**26.9%**	**35.5**	**28.0**	**26.8%**
EBITDA margin %	*51.5%*	*57.2%*	–	*49.0%*	*58.7%*	–
Cash capex	(34.8)	(143.8)	75.8%	(7.8)	(28.0)	72.1%
Business Unit Operating Cash Flow	**97.1**	**(39.9)**	**343.4%**	**27.7**	–	–

Aviation delivered another excellent performance, with revenue growth of $74.3m, 40.9%, to $256.1m in 2018, including an increase of $24.7m, 51.8%, to $72.4m in Q4, driven by continuing strong growth in our Core business and revenues in our IFC services more than doubling.

EBITDA consequently increased by $28.0m or 26.9%, to $131.9m in 2018, up by $7.5m or 26.8%, to $35.5m in Q4, with EBITDA margin of 51.5% for the year (2017: 57.2%).

Cash flow from Aviation has also improved materially with the impact of both higher revenues and lower capex together driving an improvement of $137.0m in the year, including $27.7m in Q4.

Aviation EBITDA and cash flow margins, which have been impacted by our efforts to build a strong market position in the rapidly growing and high potential IFC market, are now recovering. EBITDA margins in Aviation fell from over 60% in 2016, to 51% in 2018 but we remain confident that these margins will gradually return to at least their 2016 margin levels over the next three years.

Core / IFC – Fourth Quarter ($ in millions)	Core 2018	Core 2017 (restated)	IFC 2018	IFC 2017 (restated)
Revenue	38.5	36.6	33.9	11.1
Direct costs	(0.3)	(0.4)	(18.1)	(4.4)
Gross Margin	**38.2**	**36.2**	**15.8**	**6.7**
Indirect costs	(2.8)	(2.2)	(15.7)	(12.7)
EBITDA	**35.4**	**34.0**	**0.1**	**(6.0)**
EBITDA margin %	91.9%	92.9%	*n/a*	n/a
Cash capex	–	–	(7.8)	(28.0)
Business Unit Operating Cash Flow	**35.4**	**34.0**	**(7.7)**	**(34.0)**

Core / IFC – Full Year ($ in millions)	Core 2018	Core 2017 (restated)	IFC 2018	IFC 2017 (restated)
Revenue	154.8	132.5	101.3	49.3
Direct costs	(1.2)	(1.0)	(55.1)	(11.3)
Gross Margin	**153.6**	**131.5**	**46.2**	**38.0**
Indirect costs	(10.2)	(9.8)	(57.7)	(55.8)
EBITDA	**143.4**	**121.7**	**(11.5)**	**(17.8)**
EBITDA margin %	*92.6%*	91.8%	*n/a*	n/a
Cash capex	–	–	(34.8)	(143.8)
Business Unit Operating Cash Flow	**143.4**	**121.7**	**(46.3)**	**(161.6)**

Core Aviation business

Our Core Aviation business comprises SwiftBroadband and JetConneX for BGA, Classic Aero and SwiftBroadband-Safety for SOS and legacy products. There was strong growth across these businesses during the year, with revenue up by $22.3m, or 16.8%, to $154.8m (including an increase of $1.9m, or 5.2%, to $38.5m in Q4 2018).

By the end of 2018, 428 aircraft were installed with JetConneX, our GX-based product for BGA, up from 165 at the end of 2017. JetConneX grew airtime revenue to $22.0m in 2018, up from $4.4m in 2017, including $7.6m in Q4 2018, up from $1.9m in Q4 2017.

SwiftBroadband revenues grew $2.1m, or 2.8%, in the year to $77.4m, driven by higher usage, particularly during the first nine months of the year. Q4 revenues fell by $2.9m to $18.2m, reflecting a relatively high level of customer migration to JetConneX in that period.

In SOS, Classic Aero delivered revenue growth of $4.0m, or 9.6%, to $45.8m, reflecting more aircraft using the product, but was flat in Q4 at $11.1m.

Revenue in our legacy products, including leasing contracts and legacy safety services, was down by $1.4m to $9.6m in the year, and down by $0.9m to $1.3m in Q4, mainly due to the end of a leasing contract in H1 2018, as previously highlighted.

Direct costs in our Core business remained fairly immaterial at $1.2m in 2018, including $0.3m in Q4, whilst indirect costs increased slightly to $10.2m in the year, including $2.8m in Q4.

EBITDA and Business Unit Operating Cash Flow for the Core Aviation business consequently both grew by $21.7m to $143.4m in the year, and by $1.4m to $35.4m in Q4.

IFC

IFC revenues, comprising our GX Aviation services for IFC and our L-band-based IFC services for commercial aviation, together grew by $52.0m to $101.3m in 2018, including the first GX-generated IFC airtime revenue of $7.1m. In Q4 2018, IFC revenues grew by $22.8m to $33.9m, including $3.4m of GX airtime revenue.

We have c. 1,580 aircraft under signed contracts for our GX and EAN IFC services. There are c. 450 further aircraft for which either existing customers have an option to install further aircraft or where new customers have committed to GX hardware with third party suppliers. We continue to pursue our rolling new business pipeline of around 3,000 aircraft.

There was an industry wide slowdown in the volume of IFC contract awards in 2018, with some airlines maintaining a watching brief on how the IFC segment is expected to take shape in the coming years. Despite this slowdown, a number of customers signed contracts for GX Aviation in Q4 2018, including Garuda Indonesia and Citilink, and some customers expanded their initial aircraft and fleet mandates for our IFC services.

During the year, Inmarsat and Panasonic Avionics Corporation (“Panasonic”) entered into a strategic collaboration agreement in Commercial Aviation, which will accelerate our drive to establish a global leadership position in IFC. Inmarsat will become Panasonic’s exclusive long-term provider of Ka-band IFC capacity, through GX, and will have access to Panasonic’s downstream IFE presence and capability.

At the end of 2018, there were 452 aircraft installed with Inmarsat GX and EAN equipment across a number of customers (up from 321 at the end of Q3), including over 100 GX connected aircraft now in commercial service. We expect the rate of installation to further increase over the coming quarters.

Preparations are now well advanced for the service roll-out of the European Aviation Network (“EAN”), which is expected to take place during H1 2019, following a “soft launch” with our customer in March.

IFC direct costs increased to $55.1m in 2018 (2017: $11.3m), including $18.1m in Q4 2018 (Q4 2017: $4.4m), due to equipment sales and contractual start-up costs. Indirect costs in IFC increased to $57.7m in 2018 (2017: $55.8m), including $15.7m in Q4 (Q4 2017: $12.7m), mainly reflecting an increase in service delivery headcount but also lower marketing expenditure.

Cash capex in IFC decreased by $109.0m to $34.8m in 2018, (down $20.2m to $7.8m in Q4) reflecting investment in the S-band satellite in the first half of 2017 and lower investment in GX on board equipment in 2018.

IFC EBITDA improved by $6.3m in the year to $(11.5)m, improving by $6.1m in Q4 to be EBITDA positive for the first time at $0.1m. IFC Operating Cash Flow improved significantly reducing the level of start-up investment by $115.3m to $46.3m for the year, and by $26.3m to $7.7m for Q4.

Enterprise

Market overview & Inmarsat's position

The major long term growth opportunity for Enterprise is in the emerging Industrial Internet of Things ("IIoT") market, where satellite connectivity will directly serve end users or augment cellular technology in doing so. To capture this growth opportunity, we are re-aligning our Enterprise business to deliver connectivity as a service, focused on delivering end-to-end solutions to a small number of targeted Satellite IIoT markets, including mining (where Satellite IIoT can for example lead to material improvements in safety), agriculture & fisheries, transportation and the global supply chain. A number of these services are at an early trial stage with blue chip corporations, as we build a sustainable IIoT platform for the long term.

While there is limited future growth potential for our legacy products, due to increasing terrestrial network coverage which places our legacy markets in secular decline, we will continue to seek to optimise the revenue generation of our legacy products, such as Broadband Global Area Network ("BGAN") and satellite phones. While these products will continue to decline over time, we will re-orientate these products towards back-up, emergency and event-driven usage.

2018 results

	Full Year			Fourth Quarter		
($ in millions)	2018	2017	Change	2018	2017	Change
Revenue	130.0	132.6	(2.0%)	31.4	32.1	(2.2%)
Direct costs	(26.2)	(23.4)	(12.0%)	(6.7)	(6.4)	(4.7%)
Gross Margin	**103.8**	**109.2**	**(4.9%)**	**24.7**	**25.7**	**(3.9%)**
Indirect costs	(21.5)	(17.3)	(24.3%)	(5.0)	(4.0)	(25.0%)
EBITDA	**82.3**	**91.9**	**(10.4%)**	**19.7**	**21.7**	**(9.2%)**
EBITDA margin %	*63.3%*	*69.3%*	–	*62.7%*	*67.6%*	–
Cash capex	–	–	–	–	–	–
Business Unit Operating Cash Flow	**82.3**	**91.9**	**(10.4%)**	**19.7**	**21.7**	**(9.2%)**

Enterprise revenues declined by $2.6m or 2.0% in the year, including a decline in 2.2% in Q4, as a result of the on-going market pressure on our legacy product base outlined above.

This market pressure, as well as a challenging Q3 2017 comparator, impacted BGAN during the year, when revenues fell by $2.5m or 9.0%, to $25.3m, including a decline of $1.3m to $5.7m in Q4.

Satellite phone revenue increased by $9.2m, or 30.0%, to $39.9m in 2018, including an increase of $3.2m to $10.5m in Q4, driven principally by several sizeable handset orders during the year.

Fixed-to-mobile revenues declined by $5.8m to $10.9m, including a decline of $0.6m to $2.6m in Q4, reflecting continued migration to Voice-over-IP.

Machine to Machine ("M2M") revenue increased by $1.4m, or 7.6%, to $19.8m in 2018, driven by on-going demand for M2M in commercial applications, but declined by $0.4m to $4.4m in Q4 due to the end of a short term capacity lease in the period. We made continued progress in developing a number of proof-of-concept initiatives in IIoT during the year.

Revenue from other services within Enterprise fell by $4.9m to $34.1m in 2018. These services include leasing contracts of $13.5m and FB for energy customers of $5.5m for the year. From Q1 2019, our FB energy business in Enterprise will be transitioned into Maritime and, consequently, related revenues of c. $5m pa will be reported in the Maritime Business Unit going forward.

Arbitration proceedings continue for Inmarsat's GX Take-or-Pay contract with RigNet. In December 2018, the International Centre for Dispute Resolution's arbitration tribunal issued a ruling in favour of Inmarsat to conclude Phase 1 of the arbitration proceedings. The tribunal's ruling found that a Take-or-Pay obligation under the original 2014 contract had commenced and consequently RigNet owed Inmarsat $50.8 million plus interest, subject to any offset from RigNet's counterclaims in Phase 2, which are expected to be adjudicated upon during the second half of 2019.

Direct costs increased by $2.8m to $26.2m in 2018, and were up by $0.3m to $6.7m in Q4, due to a higher proportion of lower gross margin satellite phone handsets sold in the period. Indirect costs increased by $4.2m to $21.5m in 2018, and were up by $1.0m to $5.0m in Q4, mainly as a result of legal costs associated with the RigNet arbitration.

EBITDA was consequently $9.6m lower in 2018, and $2.0m lower in Q4, with EBITDA margin declining to 62.7%.

Central Services

($ in millions)	Full Year 2018	Full Year 2017 (restated)	Full Year Change	Fourth Quarter 2018	Fourth Quarter 2017 (restated)	Fourth Quarter Change
Revenue						
Ligado Networks	130.7	128.8	1.5%	33.0	32.7	0.9%
Other	14.6	14.5	0.7%	3.5	4.1	(14.6%)
Total Revenue	**145.3**	**143.3**	**1.4%**	**36.5**	**36.8**	**0.8%**
Direct costs	(20.4)	(16.6)	(22.9%)	(7.1)	(7.4)	4.1%
Gross Margin	**124.9**	**126.7**	**(1.4%)**	**29.4**	**29.4**	**0.0%**
Indirect costs	(268.2)	(295.4)	9.2%	(67.5)	(85.7)	21.2%
EBITDA	**(143.3)**	**(168.7)**	**15.1%**	**(38.1)**	**(56.3)**	**32.3%**
Cash capex	(496.5)	(414.5)	(19.8%)	(147.3)	(163.5)	9.9%
Business Unit Operating Cash Flow	**(639.8)**	**(583.2)**	**(9.7%)**	**(185.4)**	**(219.8)**	**15.7%**

Revenue and EBITDA from Ligado increased by $1.9m and $3.8m respectively in 2018, and increased by $0.3m and $1.0m respectively in Q4 2018, in line with our co-operation agreement with Ligado.

This agreement stipulates that payments from Ligado to Inmarsat will pause in 2019 (unless Ligado obtains its FCC license during 2019, in which event payments will resume thereafter) and then resume from the beginning of 2020 at c. $136m per annum, growing thereafter at 3% compound over the next 89 years.

Any payments not made in 2019 (up to $132.3m in aggregate), together with prior payments deferred between 2016 and 2018 (approximately $35m in aggregate) will become due for payment by Ligado with interest from their original date of payment no later than 30 June 2021.

Ligado continues in its efforts to obtain its licence from the Federal Communications Commission ("FCC"), with the timing and consequent impact on Inmarsat of any such decision remaining uncertain.

Central Services direct costs increased by $3.8m in the year mainly due to higher inventory provisions, which declined in Q4.

Indirect costs in Central Services fell by $27.2m in 2018, including a decline of $18.2m in Q4 mainly reflecting the $19.9m restructuring charge in Q4 2017, the impact of the implementation of IFRS16 which moved lease costs into depreciation during the year (FY: $12.8m, Q4: $1.5m), lower operating costs and adverse currency movements of $8.7m (Q4 $1.2m).

Central Services capex increased by $82.0m to $496.5m in 2018, due to the timing of expenditure on major infrastructure programmes, including the 5th GX satellite and the I-6 satellite infrastructure. Central Services capex was $16.2m lower in Q4, for the same timing reasons.

Reconciliation of EBITDA to profit after tax

	Full year			Fourth Quarter		
($ in millions)	2018	2017 (restated)	Change	2018	2017 (restated)	Change
EBITDA	**770.1**	**739.3**	**4.2%**	**190.6**	**166.3**	**14.6%**
Depreciation and amortisation	(468.3)	(411.8)	(13.7%)	(120.8)	(114.3)	(5.7%)
Other	(13.1)	(3.3)	(297.0%)	(6.7)	0.1	(6,800%)
Operating profit	**288.7**	**324.2**	**(11.0%)**	**63.1**	**52.1**	**21.1%**
Net financing costs	(120.8)	(90.4)	(33.6%)	(15.5)	(5.2)	(198.1%)
Taxation charge	(42.9)	(48.8)	12.1%	(18.5)	(13.4)	(38.1%)
Profit after tax	**125.0**	**185.0**	**(32.4%)**	**29.1**	**33.5**	**(13.1%)**
Addback of change in fair value of derivative (2023 convertible bond)	23.2	(7.7)	(401.3%)	(2.9)	(23.5)	87.7%
Add back restructuring charge after tax	–	16.1	–	–	16.1	–
Adjusted profit after tax	**148.2**	**193.4**	**(23.4%)**	**26.2**	**26.1**	**0.4%**

Depreciation and amortisation ("D&A") & other costs

D&A increased by $56.5m in 2018, including an increase of $6.5m in Q4, mainly due to the I-5 F4 and S-Band satellites coming into commercial service in Q4 2017. The increase in other costs is attributable to impairments totalling $14.5m for the year, including $7.5m in Q4.

Net financing costs

Net financing costs for the year increased by $30.4m, including $10.3m in Q4, driven mainly by the increase in the unrealised conversion liability on the 2023 Convertible Bond of $23.2m. Financing costs excluding derivative adjustments remained relatively flat for the year at $105.8m.

Taxation

The total tax charge for the year decreased by $5.9m to $42.9m mainly reflecting lower statutory profit before tax. The tax charge in Q4 2018 increased by $5.1m over 2017, mainly due the revaluation of US related deferred tax assets in the comparative period, as a result of a reduction in the US corporation tax rate from 35% to 21%.

The underlying effective tax rate for the year (after removing the impact of the unrealised conversion liability of the convertible bonds and reassessment of prior year estimates) was 18.1% (2017: 15.7%), driven primarily by the non-recurring item of changes to provisions in respect of ongoing enquiries with a number of tax authorities, as well as a reduction in UK patent box relief being available in 2018 and on-going changes in the relative levels of profitability in jurisdictions where the statutory tax rate is different to the UK.

The effective tax rate for 2018 of 25.5% (2017: 20.9%) is higher than the UK statutory rate of 19% (2017: 19.25%) reflecting all of the issues noted above.

From time to time, the Group may be involved in disputes in relation to on-going tax matters where a tax authority adopts a different interpretation to our own. The Group maintains tax provisions in respect of on-going enquiries with tax authorities. In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of c. $110m, excluding interest, during 2019. The quantum and timing of this cost remains uncertain but it is substantially provided for and the enquiries remain ongoing at this time. The Group anticipates an initial conclusion in respect of the most significant enquiry in 2019.

Profit after tax ("PAT")

Adjusted PAT, which excludes the impact of the unrealised conversion liability, decreased by $45.2m, including an increase of $0.1m in Q4. This reflects changes in EBITDA, depreciation, financing costs and taxation noted above.

Statutory PAT saw a larger decrease of $60.0m for the year compared to Adjusted PAT, due to an increase in the unrealised conversion liability on the 2023 Convertible Bond discussed above.

Group Balance Sheet

The table below shows the condensed consolidated Group Balance Sheet:

($ in millions)	At 31 December 2018	At 31 December 2017 (restated)
Non-current assets	4,332.0	4,133.0
Current assets	705.7	870.2
Total assets	**5,027.7**	**5,003.2**
Current liabilities	(864.2)	(914.3)
Non-current liabilities	(2,826.7)	(2,840.8)
Total liabilities	**(3,690.9)**	**(3,755.1)**
Net assets	**1,336.8**	**1,248.1**

The increase in the Group's non-current assets of $199.0m is largely due to our ongoing investment in new technology and infrastructure, including GX and I-6 constellation, less the depreciation of existing assets in service.

The net decrease in current assets of $164.5m has been driven mainly by the decrease in short term deposits which have been used to fund additional capital investment in the business.

The decrease in current liabilities of $50.1m is largely attributable to the decrease in trade and other payables of $89.0m to $545.4m. This was impacted by the timing of the settlement of trade payables around the year end.

Non-current liabilities decreased by $14.1m to $2,826.7m. This was primarily driven by a decrease in non-current borrowings of $97.6m due to a portion of the Ex-Im bank facilities becoming due within one year and consequently being reclassified to current liabilities.

Cash Flow[1]

($ in millions)	Full Year 2018	Full Year 2017 (restated)	Fourth Quarter 2018	Fourth Quarter 2017 (restated)
EBITDA	**770.1**	**739.3**	**190.6**	**166.3**
Non-cash items	4.9	19.8	–	0.4
Change in working capital	(61.6)	30.7	1.7	33.7
Cash generated from operations	**713.4**	**789.8**	**192.3**	**200.4**
Cash Capital expenditure	(590.7)	(614.1)	(175.4)	(204.9)
Net interest paid	(114.5)	(114.7)	(36.9)	(37.2)
Tax received/(paid)	2.3	(19.8)	(1.6)	(1.7)
Free cash flow	**10.5**	**41.2**	**(21.6)**	**(43.4)**
Dividends paid to shareholders	(70.1)	(202.9)	(30.1)	(84.9)
Other movements	(13.9)	(3.0)	(3.5)	(0.1)
Net cash flow	**(73.5)**	**(164.7)**	**(55.2)**	**(128.4)**
Increase/(decrease) in short-term cash deposits	196.3	53.0	(94.8)	(59.7)
Net repayment of borrowings	(127.1)	(3.5)	(0.5)	78.3
Net increase/ (decrease) in cash and cash equivalents	**(4.3)**	**(115.2)**	**(150.5)**	**(109.8)**

Net cash flow improved by $91.2m, with the impact of lower cash dividends ($132.8m) more than offsetting an increase in other movements of $10.9m primarily driven by IFRS 16 lease adjustments and $30.7m decrease in free cash flow. The reduction in free cash flow was mainly driven by an increase in working capital which more than offset higher EBITDA of $30.8m, lower capital expenditure of $23.4m and lower tax paid of $22.1m.

Over 2018, the amount of cash invested in working capital increased by $61.6m, driven primarily by increased receivables, inventories and trade payables. Receivables increased by $56.1m reflecting higher revenues and the impact of tougher market conditions on certain customers and a new billing system, both of which adversely impacted the pace of customer collections. Inventories increased by $16.8m, reflecting a higher level of terminal equipment held in stock. In contrast, in 2017, $30.7m was released from working capital mainly reflecting the timing of supplier payments which more than offset increased receivables.

Capital expenditure fell by $23.4m, with a decline of $29.5m in Q4, driven mainly by the timing of major infrastructure investment, particularly the GX5 and I-6 satellites. Success-based capex was $31.6m lower, mainly reflecting lower levels of GX installations in Aviation. Other capex has remained consistent with the prior year as higher investments in IT were offset by lower capitalised product and service development expenditure.

Capital expenditure

($ in millions)	Full Year 2018	Full Year 2017 (restated)	Fourth Quarter 2018	Fourth Quarter 2017 (restated)
Major infrastructure projects[2]	333.5	423.5	107.6	179.3
Success-based capex[3]	80.4	112.0	19.1	19.0
Other capex[4]	115.3	115.2	47.0	20.1
Cash flow timing[5]	61.5	(36.6)	1.7	(13.5)
Total cash capital expenditure	**590.7**	**614.1**	**175.4**	**204.9**

The cash flow timing adjustment shows the difference between fixed asset additions as reported in the balance sheet and the underlying cash disbursements. The movement between years shown above was driven mainly by the timing of contractual payments on the I-6 and GX-5 satellite programmes.

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

2 “Major infrastructure projects” capex consists of satellite design, build and launch costs and ground network infrastructure costs.

3 “Success-based capex” consists of capital equipment installed on ships, aircraft and other customer platforms.

4 “Other capex” investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.

5 “Cash flow timing” represents the difference between accrued capex and the actual cash flows.

Net interest paid was largely unchanged at $114.5m in 2018 with the impact of slightly higher net debt being offset by higher returns from invested cash balances.

The cash tax inflow in the year of $2.3m (2017: $19.8m outflow) reflects a reduction in UK taxable profits following new research and development allowances and overseas tax prepayments now being refunded.

Liquidity and net borrowings

	Full Year		Fourth Quarter	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Cash and cash equivalents				
At beginning of the period	144.6	261.5	293.1	251.1
Net increase/(decrease) in cash and cash equivalents	(4.3)	(115.2)	(150.5)	(109.8)
Foreign exchange adjustment	2.9	(1.7)	0.6	3.3
Sub-total (net of bank overdrafts)	**143.2**	**144.6**	**143.2**	**144.6**
Short term deposits				
At beginning of the period	342.0	395.0	50.9	282.3
Net (decrease)/increase in short term deposits	(196.3)	(53.0)	94.8	59.7
Sub-total	**145.7**	**342.0**	**145.7**	**342.0**
Total cash, cash equivalents and short term deposits	**288.9**	**486.6**	**288.9**	**486.6**
Opening net borrowings[1]	**2,078.6**	**1,894.8**	**2,115.7**	**1,952.0**
Net cash flow	73.5	164.7	55.2	128.4
Other movements[2]	24.6	19.1	5.8	(1.8)
Closing net borrowings[1]	**2,176.7**	**2,078.6**	**2,176.7**	**2,078.6**

Closing Net Borrowings increased by $98.1m to $2,176.7m, mainly due to short term deposits being used to fund additional capital investment in the business.

At 31 December 2018, the Group had over $1 billion in available liquidity, including cash and cash equivalents of $143.2m, short term deposits of $145.7m and available but undrawn committed borrowing facilities of $750m under a Senior Revolving Credit Facility.

Dividends

In March 2018, the dividend was reduced to an annual rate 20 cents per share, with an expectation that the annual dividend will remain at these levels until the cash flow of the business rebuilds sufficiently to make an increase appropriate. A 2018 final dividend of 12 cents per share will therefore be proposed to shareholders in line with the 2017 final dividend.

Inmarsat will continue to provide shareholders with the option of a scrip dividend alternative for dividend payments, and will review this approach on a regular basis. At the interim stage, the scrip option was taken up by shareholders holding a total of 84,922,556 shares (18.4% of the then issued share capital) with an issue value of $6.8m. These shares were issued on 19 October 2018. Inmarsat plc now has 462,617,429 shares in issue.

The dividend is to be paid on 30 May 2019 to ordinary shareholders on the share register at the close of business on 23 April 2019. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting on 1 May 2019. Dividend payments are made in Pounds Sterling or in shares using an exchange rate derived from the WMReuters GBP/USD 9am fix (London time) four business days prior to the date of announcement of the scrip reference price. The 2018 final dividend is not recorded as a liability in the financial statements at 31 December 2018.

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 Other movements relate primarily to the amortisation of deferred financing costs and the accretion of the principal amount of the convertible bond.

Related Party Transactions

There have been no material changes in the related party transactions described in the 2018 Inmarsat plc Annual Report and Accounts.

Inmarsat plc
99 City Road
London EC1Y 1AX

By order of the Board,

Rupert Pearce
Chief Executive Officer
7 March 2019

Tony Bates
Chief Financial Officer
7 March 2019

Principal Risks and Uncertainties

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. This summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting our business and are not listed in any order of priority. Please refer to the 2018 Annual Report for further details, as well as steps taken to mitigate these risks.

The United Kingdom leaving the European Union on 29 March 2019 is not expected to have a significant financial impact to on the Group as the majority of revenue, capital expenditure and long term borrowings are based outside of Continental Europe and are denominated in US Dollars reducing our exposure to a weakening Sterling. We have however considered this factor within the risk table below.

Risk	Background and impact
1. Event leads to sharp reduction of air traffic	The world has had few events like this in the last twenty years, e.g. 9/11, SARS, the ash cloud. Similar events in the future could reduce air traffic volumes sharply, which would in turn impact our business. Our customers may ask us to cancel or halt ongoing contracts, and it would be difficult to sign new contracts.
2. Geo-political risk, political uncertainty including Brexit impact	Downturns in the economy of a country and/or the world economy, trade wars, as well as very low or very high oil prices could all have large effects on world trade and consequently our business. Armed conflicts, including war in space could also have an impact, locally and globally. We may suffer a terrorist attack or a natural disaster on one of our locations. We do a large amount of business with governments across the globe. Political uncertainty with policy changes, decisions and sanctions could impact our business. Brexit negotiations outcomes including a no-deal exit could have both expected and unexpected effects. We could fail to comply with applicable international legislation and international reporting requirements. Our staff and their families may suffer a local epidemic or global pandemic.
3. Competition – tech disruption, new entrants and business plans	We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore fail 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 the market requirements. Competitors and new entrants may launch disruptive technology, or new business plans with for example connectivity at very low prices or for free. Our competitors may consolidate with an impact on our competitive positions. We may fail to roll out new services including migrating existing customers. We may fail to develop competitive technology and product roadmaps, competitive pricing, to differentiate ourselves, to obtain applicable licences or fail to deliver on our contracts. Products may become obsolete. Our competitors may provide better products to the market sooner than us and at more competitive prices. We may fail to enable or incentivise our distribution partners enough so they choose to sell our competitors' products instead.
4. Not enough network capacity	We may fail to keep up with the developing business needs of our existing and new customers. We may fail to optimally assess our market, technological changes, customer requirements and competitors' strategy, so we have not enough capacity to meet the demands. We may not be able to meet capacity needs for various reasons such as network or satellite issues, which would impact our ability to generate revenues.

Risk	Background and impact
5. Major operational failure	We face risks when our satellites are in orbit. Our satellites, our control of them or our network may fail technically or be sabotaged. Elements of our ground network may fail or be damaged. Our network may suffer a cyberattack that damages our service offering and reputation. If our service is interrupted, it may cause physical and financial damage with possible legal and financial consequences for our business.
6. Satellite launch failure	We face risks when we launch our satellites. There are only a few satellite launch companies and if they encounter problems, our launch risk may increase.
7. Protectionism affects our business operations	Growing protectionism including policy changes, sanctions and trade wars could impact our business, including our supply chain and our ability to do installations. 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 are very reliant on the USD and a disagreement with the US Government could restrict our access to US banks and USD settlements.
8. Security risk	We may suffer damage to satellites, networks, information/data, systems, processes and our services to customers as a result of malicious or flawed code, unauthorised access, service denial ransom/coercion, or security compromise. Data or IP could be stolen. This could also have consequential impact on reputation, business plans and operations, and future revenue from risk averse customers.
9. Loss of or failed customer or supplier	We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. Relying on some critical customers may increase our financial exposure if they fail to make payments for our services. We may lose customers due to poor quality service delivery or operations, or fail to keep up with the business needs. We may fail to roll out new services including migrating existing customers. A competitor may buy a critical customer or partner. Partners may merge or grow and as a result outcompete smaller partners. Partners may prefer selling our competitors' services due to better terms and conditions. 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 critical supplier may fail financially or one of their systems may fail.
10. Spectrum, orbital slots and market access risk	We rely on radio spectrum, which has historically been allocated without charge, to provide our services. 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, which restricts our services being offered. We may lose licences after they have been obtained due to non-compliance or legal challenges.

Risk	Background and impact
11. Financing risk	The company finances the business through operating cash flow and capital market instruments. Our ability to finance the business in the medium term could be affected by the closure of capital markets, by failing to materially deliver on our business plans and strategy, or by downturns in the economy of a country and/or the world economy.
12. Currency risk	Downturns in the economy of a country and/or world economy, armed conflicts and trade restrictions could impact currency exchange rates and our business and strategy. We have significant costs in GBP, so a drastic change in GBP value could impact our business. Some USD rate changes may only have translational effects in our accounts and results.
13. Loss of people and key skills	We may fail to hire skilled people or adequately improve skills to maintain and grow our business, deliver our strategy and complete programmes and projects. 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 lose employee engagement and motivation. Our employees may suffer injury from terrorist attacks or natural disasters in our locations.

INMARSAT PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Year ended 31 December		Fourth Quarter ended 31 December	
($ in millions)	2018	2017 (restated) [1]	2018	2017 (restated) [1]
Revenues	**1,465.2**	**1,391.7**	**378.7**	**351.8**
Employee benefit costs[2]	(301.4)	(312.9)	(75.6)	(94.0)
Network and satellite operations costs	(183.3)	(192.8)	(43.2)	(49.9)
Impairment of financial assets	(18.1)	(3.0)	(9.5)	(0.3)
Other operating costs	(230.0)	(192.8)	(68.6)	(53.2)
Own work capitalised	37.7	49.1	8.8	11.9
Total net operating costs	(695.1)	(652.4)	(188.1)	(185.5)
EBITDA	**770.1**	**739.3**	**190.6**	**166.3**
Depreciation and amortisation	(468.3)	(411.8)	(120.8)	(114.3)
Impairment loss on fixed and intangible assets	(14.5)	–	(7.5)	–
Loss on disposals of assets	(2.5)	(7.3)	(0.3)	(1.8)
Share of profit of associates	3.9	4.0	1.1	1.9
Operating profit	**288.7**	**324.2**	**63.1**	**52.1**
Financing income	8.2	7.8	1.9	1.7
Financing costs	(105.8)	(105.9)	(20.3)	(30.4)
Change in fair value of derivative[3]	(23.2)	7.7	2.9	23.5
Net financing costs	(120.8)	(90.4)	(15.5)	(5.2)
Profit before tax	**167.9**	**233.8**	**47.6**	**46.9**
Taxation charge	(42.9)	(48.8)	(18.5)	(13.4)
Profit for the period	**125.0**	**185.0**	**29.1**	**33.5**
Attributable to:				
Equity holders	**124.2**	**184.4**	**28.8**	**33.2**
Non-controlling interest[4]	**0.8**	**0.6**	**0.3**	**0.3**
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in $ per share)				
— Basic	**0.27**	**0.41**	**0.06**	**0.07**
— Diluted	**0.27**	**0.40**	**0.06**	**0.07**
Adjusted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in $ per share)				
— Basic	**0.32**	**0.42**	**0.06**	**0.06**
— Diluted	**0.32**	**0.42**	**0.06**	**0.06**

1 2017 figures have been restated throughout this announcement to reflect the adoption of IFRS15 and the accounting policy change for unallocated launch slots. The Group has also adopted IFRS16 and IFRS9 as of 1 January 2018. Please refer to Appendix 2 of this document for further details.

2 2017 employee benefit costs include $19.9m of restructuring charge

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

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

INMARSAT PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December		Fourth Quarter ended 31 December	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Profit for the period	**125.0**	**185.0**	**29.1**	**33.5**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	(0.1)	–	–	(0.3)
Gains/(losses) on cash flow hedges	(5.2)	14.1	(0.9)	2.1
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of the defined benefit asset	19.7	12.7	3.7	11.2
Tax credited directly to equity	(3.1)	(2.9)	0.5	(2.4)
Other comprehensive income for the period, net of tax	**11.3**	**23.9**	**3.3**	**10.6**
Total comprehensive income for the period, net of tax	**136.3**	**208.9**	**32.4**	**44.1**
Attributable to:				
Equity holders	**135.5**	**208.3**	**32.1**	**43.8**
Non-controlling interest	**0.8**	**0.6**	**0.3**	**0.3**

INMARSAT PLC

CONDENSED CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2018

($ in millions)	December 2018	December 2017(restated)	December 2016(restated)
Assets			
Non-current assets			
Property, plant and equipment	3,352.7	3,255.5	2,979.9
Intangible assets	800.4	808.1	802.8
Investments	18.8	16.2	13.2
Right of Use Assets	62.4	–	–
Other receivables	35.2	17.5	5.3
Deferred tax asset	52.5	35.4	39.3
Derivative financial instruments	–	0.3	0.1
	4,322.0	**4,133.0**	**3,840.6**
Current assets			
Cash and cash equivalents	143.2	144.9	262.0
Short-term deposits	145.7	342.0	395.0
Trade and other receivables	358.7	331.6	317.9
Inventories	50.7	33.9	34.3
Current tax assets	4.6	13.8	8.5
Derivative financial instruments	0.3	1.2	1.7
Restricted cash	2.5	2.8	2.8
	705.7	**870.2**	**1,022.2**
Total assets	**5,027.7**	**5,003.2**	**4,862.8**
Liabilities			
Current liabilities			
Borrowings	123.2	125.6	103.8
Trade and other payables	545.4	634.4	537.7
Provisions	14.3	16.2	1.9
Current tax liabilities	168.5	130.2	129.0
Derivative financial instruments	2.4	7.9	5.9
Lease obligations	10.4	0.0	–
	864.2	**914.3**	**778.3**
Non-current liabilities			
Borrowings	2,342.3	2,439.9	2,448.0
Other payables	13.9	25.0	41.5
Provisions	11.1	9.7	2.8
Deferred tax liabilities	249.4	238.4	208.3
Derivative financial instruments	150.4	127.8	153.5
Lease obligations	59.6	–	–
	2,826.7	**2,840.8**	**2,854.1**
Total liabilities	**3,690.9**	**3,755.1**	**3,632.4**
Net assets	**1,336.8**	**1,248.1**	**1,230.4**
Shareholders' equity			
Ordinary shares	0.3	0.3	0.3
Share premium	767.8	745.4	700.4
Other reserves	106.9	92.0	61.8
Retained earnings	461.0	409.8	467.3
Equity attributable to shareholders	**1,336.0**	**1,247.5**	**1,229.8**
Non-controlling interest	**0.8**	**0.6**	**0.6**
Total equity	**1,336.8**	**1,248.1**	**1,230.4**

1 The Group has adopted IFRS 15 using the fully retrospective method and changed the accounting policy for unallocated launch slots. The 31 December 2016 balance sheet has been provided to show the impact on the opening position of the prior period.

INMARSAT PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2018

($ in millions)	Share capital	Share premium	Share option reserve	Cash flow hedge reserve	Other[1]	Retained earnings (restated)	NCI[2]	Total
Balance at 1 January 2017	**0.3**	**700.4**	**87.9**	**(23.3)**	**(2.8)**	**467.5**	**0.6**	**1,230.6**
Share-based payments[3]	–	–	14.6	–	–	(2.1)	–	12.5
Transfer equity reserve to retained earnings	–	–	–	–	–	–	–	–
Dividend declared	–	–	–	–	–	(249.8)	(0.6)	(250.4)
Scrip dividend cash reinvestment[5]	–	–	–	–	–	45.0	–	45.0
Scrip dividend share issue[5]	–	45.0	–	–	–	(45.0)	–	–
Losses on cash flow hedges capitalised to tangible assets	–	–	–	1.5	–	–	–	1.5
Comprehensive Income:								
Profit for the year (restated)	–	–	–	–	–	184.4	0.6	185.0
OCI[4] – before tax	–	–	–	14.1	–	12.7	–	26.8
OCI[4] – tax	–	–	–	–	–	(2.9)	–	(2.9)
Total comprehensive income for the year	–	–	–	14.1	–	194.2	0.6	208.9
Balance at 31 December 2017	**0.3**	**745.4**	**102.5**	**(7.7)**	**(2.8)**	**409.8**	**0.6**	**1,248.1**
Share-based payments[3]	–	–	11.3	–	–	2.3	–	13.6
Transfer equity reserve to retained earnings	–	–	–	–	–	–	–	–
Dividend declared	–	–	–	–	–	(91.9)	(0.6)	(92.5)
Scrip dividend cash reinvestment[5]	–	–	–	–	–	22.4	–	22.4
Scrip dividend share issue[5]	–	22.4	–	–	–	(22.4)	–	–
Losses on cash flow hedges capitalised to tangible assets	–	–	–	8.9	–	–	–	8.9
Comprehensive Income:								
Profit for the year	–	–	–	–	–	124.2	0.8	125.0
OCI[4] – before tax	–	–	–	(5.2)	(0.1)	19.7	–	14.4
OCI[4] – tax	–	–	–	–	–	(3.1)	–	(3.1)
Total comprehensive income for the year	–	–	–	(5.2)	(0.1)	140.8	0.8	136.3
Balance at 31 December 2018	**0.3**	**767.8**	**113.8**	**(4.0)**	**(2.9)**	**461.0**	**0.8**	**1,336.8**

1 The ‘other’ reserve relates to ordinary shares held by the Employee Share Trust debit of $2.4m (2017: $2.4m), the currency reserve debit of $1.1m (2017: $1.3m) and the revaluation reserve of $0.6m (2017: $0.9m).

2 Non-controlling interest (“NCI”) refers to the Group’s 51% shareholding in Inmarsat Solutions ehf.

3 Represents the fair value of share option awards recognised in the period.

4 OCI refers to Other Comprehensive Income.

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

INMARSAT PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Year ended 31 December 2018

	Year ended 31 December		Fourth Quarter ended 31 December	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Cash flow from operating activities				
Cash generated from operations	713.4	789.8	192.3	200.4
Interest received	6.0	5.5	1.5	1.0
Tax received/(paid)	2.3	(19.8)	(1.6)	(1.7)
Net cash inflow from operating activities	**721.7**	**775.5**	**192.2**	**199.7**
Cash flow from investing activities				
Purchase of property, plant and equipment	(460.3)	(454.3)	(111.0)	(95.5)
Additions to intangible assets	(93.0)	(110.7)	(55.8)	(97.5)
Own work capitalised	(37.4)	(49.1)	(8.6)	(11.9)
Proceeds from short-term deposits[1]	459.5	455.1	50.9	89.9
Payments to short-term deposits[1]	(263.2)	(402.0)	(145.7)	(149.5)
Investment in financial asset	–	(1.1)	–	–
Net cash used in investing activities	**(394.4)**	**(562.1)**	**(270.2)**	**(264.5)**
Cash flow from financing activities				
Dividends paid to shareholders	(70.1)	(202.9)	(30.1)	(84.9)
Repayment of borrowings	(122.2)	(80.8)	–	–
Interest paid	(120.5)	(120.2)	(38.4)	(38.2)
Arrangement costs of financing	(4.9)	(1.2)	(0.5)	–
Drawdown of borrowings	–	78.4	–	78.4
Cash payments for the principal portion of the lease obligations	(12.3)	–	(2.8)	–
Other financing activities	(1.6)	(1.9)	(0.7)	(0.3)
Net cash used in financing activities	**(331.6)**	**(328.6)**	**(72.5)**	**(45.0)**
Net decrease in cash and cash equivalents	**(4.3)**	**(115.2)**	**(150.5)**	**(109.8)**
Cash and cash equivalents				
At beginning of the period	144.6	261.5	293.1	251.1
Net decrease in cash and cash equivalents	(4.3)	(115.2)	(150.5)	(109.8)
Exchange gains/(losses) on cash and cash equivalents	2.9	(1.7)	0.6	3.3
At end of the period (net of bank overdrafts)	**143.2**	**144.6**	**143.2**	**144.6**
Comprising:				
Cash at bank and in hand	143.2	109.9	143.2	109.9
Short-term deposits with original maturity of less than three months	–	35.0	–	35.0
Cash and cash equivalents	**143.2**	**144.9**	**143.2**	**144.9**
Bank overdrafts	–	(0.3)	–	(0.3)
Net cash and cash equivalents at end of period	**143.2**	**144.6**	**143.2**	**144.6**

1 Proceeds and payments relating to short term cash deposits are net of interest with original maturity of more than 3 months

1. General information

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

2. Principal accounting policies

Basis of preparation

These preliminary results for the year ended 31 December 2018 are an abridged statement of the full Annual Report and Accounts and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies. The auditor's report in respect of the year ended 31 December 2017 is unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2018 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies and made available on website at www.inmarsat.com, following the Company's annual general meeting on Wednesday 1 May 2019.

The consolidated financial statements within the full Annual Report and Accounts are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, the Companies Act 2006 and Article 4 of the EU IAS Regulation.

Going Concern

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

Basis of accounting

The functional and reporting currency of the Company and most of the Group's subsidiaries is the US Dollar, as the majority of receipts from operational transactions and borrowings are denominated in US Dollars.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results may ultimately differ from these estimates.

In the current period the Group has adopted IFRS15, IFRS16 and IFRS9. Additionally, the Group has updated its policy in relation to launch slots to reflect the changes in technology and operations. These have been disclosed in Appendix 2. Other than those discussed, the accounting policies used are consistent with 2018 financial statements.

3. Segment information

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

- Maritime, focusing on worldwide commercial maritime services;
- US Government, focusing on US civil and military government services;
- Global Government, focusing on worldwide civil and military government services;
- Aviation, focusing on commercial IFC, business and general aviation services; and
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services.

These five business units are supported by ‘Central Services’ which include satellite operations and backbone infrastructure, corporate administrative costs, and any income that is not directly attributable to a business unit such as Ligado Networks. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS8. Therefore, the Group’s reportable segments are Maritime, Government, Aviation, Enterprise and Central Services. The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 2. Segment results are assessed by the Chief Operating Decision Maker at the EBITDA level without the allocation of central costs, depreciation, net financing costs and taxation.

	Year ended 31 December		Fourth Quarter ended 31 December	
($ in millions)	2018	2017 (restated)	2018	2017 (restated)
Revenues				
Maritime	552.8	567.3	135.7	144.4
Government	381.0	366.7	102.7	90.8
Aviation	256.1	181.8	72.4	47.7
Enterprise	130.0	132.6	31.4	32.1
Central Services[1]	145.3	143.3	36.5	36.8
Total revenues	**1,465.2**	**1,391.7**	**378.7**	**351.8**
EBITDA				
Maritime	429.0	447.0	102.4	110.0
Government	270.2	265.2	71.1	62.9
Aviation	131.9	103.9	35.5	28.0
Enterprise	82.3	91.9	19.7	21.7
Central Services[1]	(143.3)	(168.7)	(38.1)	(56.3)
Total EBITDA	**770.1**	**739.3**	**190.6**	**166.3**
Depreciation and amortisation	(468.3)	(411.8)	(120.8)	(114.3)
Other	(13.1)	(3.3)	(6.7)	0.1
Operating profit	**288.7**	**324.2**	**63.1**	**52.1**
Net financing costs	(120.8)	(90.4)	(15.5)	(5.2)
Profit before tax	**167.9**	**233.8**	**47.6**	**46.9**
Taxation charge	(42.9)	(48.8)	(18.5)	(13.4)
Profit for the period	**125.0**	**185.0**	**29.1**	**33.5**
Cash capital expenditure				
Maritime	54.4	45.9	17.4	10.9
Government	5.0	9.9	2.9	2.5
Aviation	34.8	143.8	7.8	28.0
Enterprise	–	–	–	–
Central Services	496.5	414.5	147.3	163.5
Total cash capital expenditure	**590.7**	**614.1**	**175.4**	**204.9**
Financing costs capitalised in the cost of qualifying	43.7	40.2	17.0	2.6
Cash flow timing	(61.5)	36.6	(1.6)	13.5
Total capital expenditure	**572.9**	**690.9**	**190.8**	**221.0**

1 Central Services includes revenue and EBITDA from Ligado.

4. Net financing costs

($ in millions)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Fourth Quarter ended 31 December 2018	Fourth Quarter ended 31 December 2017 (restated)
Bank interest receivable and other interest	(8.2)	(7.8)	(1.9)	(1.7)
Total financing income	**(8.2)**	**(7.8)**	**(1.9)**	**(1.7)**
Interest on Senior Notes and credit facilities	92.8	93.9	23.1	23.0
Interest on Convertible Bonds	38.4	37.5	9.7	9.5
Amortisation of debt issue costs	13.2	7.9	3.1	(0.9)
Amortisation of discount on Senior Notes due 2022	1.0	1.0	0.2	0.2
Amortisation of discount on deferred satellite liabilities	0.2	0.4	0.1	0.1
Net interest on the net pension asset and post-employment liability	0.3	2.0	–	0.2
Interest on lease obligations	2.9	–	0.7	–
Other interest	0.7	3.4	0.5	0.9
	149.5	**146.1**	**37.4**	**33**
Less: Amounts capitalised in the cost of qualifying assets	(43.7)	(40.2)	(17.1)	(2.6)
Financing costs excluding derivative adjustments	**105.8**	**105.9**	**20.3**	**30.4**
Change in fair value of derivative liability component of the 2023 Convertible Bonds	23.2	(7.7)	(2.9)	(23.5)
Net financing costs	**120.8**	**90.4**	**15.5**	**5.2**

5. Taxation

($ in millions)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Fourth Quarter ended 31 December 2018	Fourth Quarter ended 31 December 2017 (restated)
Current tax:				
Current period	49.5	21.8	37.0	(0.2)
Adjustments in respect of prior periods	1.3	(4.5)	(1.2)	(6.0)
Total current tax	**50.8**	**17.3**	**35.8**	**(6.2)**
Deferred tax:				
Origination and reversal of temporary differences	(14.8)	14.6	(32.8)	3.0
Adjustments relating to changes in tax rates	0.2	9.1	0.2	9.7
Adjustments in respect of prior periods	6.7	7.8	15.3	6.9
Total deferred tax	**(7.9)**	**31.5**	**(17.3)**	**19.6**
Total taxation charge	**42.9**	**48.8**	**18.5**	**13.4**

The Group maintains tax provisions in respect of on-going enquiries with tax authorities. In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of c. $110m, excluding interest, during 2019. The quantum and timing of this cost remains uncertain but it is substantially provided for and the enquiries remain ongoing at this this time. The Group anticipates an initial conclusion in respect of the most significant enquiry in 2019.

6. Net Borrowings

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

($ in millions)	At 31 December 2018 Amount	Deferred finance costs	Net balance	At 31 December 2017 Amount	Deferred finance costs	Net balance
Current:						
Bank overdrafts	–	–	–	0.3	–	0.3
Deferred satellite payments	1.0	–	1.0	3.1	–	3.1
Ex-Im Bank Facilities	122.2	–	122.2	122.2	–	122.2
Total current borrowings	**123.2**	**–**	**123.2**	**125.6**	**–**	**125.6**
Non-current:						
Deferred satellite payments	4.4	–	4.4	5.6	–	5.6
Senior Notes due 2022	1,000.0	(3.9)	996.1	1,000.0	(5.1)	994.9
– Net issuance discount	(3.4)	–	(3.4)	(4.5)	–	(4.5)
Senior Notes due 2024	400.0	(4.2)	395.8	400.0	(4.9)	395.1
Ex-Im Bank Facilities	386.5	(6.5)	380.0	508.7	(14.9)	493.8
Convertible Bonds due 2023[1]	561.6	(5.4)	556.2	549.2	(6.6)	542.6
– Accretion of principal	13.2	–	13.2	12.4	–	12.4
Total non-current borrowings	**2,362.3**	(20.0)	**2,342.3**	**2,471.4**	(31.5)	**2,439.9**
Total borrowings	**2,485.5**	**(20.0)**	**2,465.5**	**2,597.0**	(31.5)	**2,565.5**
Cash and cash equivalents	(143.2)	–	(143.2)	(144.9)	–	(144.9)
Short-term deposits	(145.6)	–	(145.6)	(342.0)	–	(342.0)
Net borrowings	**2,196.7**	**(20.0)**	**2,176.7**	**2,110.1**	**(31.5)**	**2,078.6**

1 The embedded derivative liability component relating to the convertible bond is $148.8m at 31 December 2018

For further details of the Group’s debt structure please refer to note 20 of the 2018 Annual Report.

7. Fair value of financial instruments

The Group’s derivative financial instruments consist of forward foreign currency contracts which are primarily designated as cash flow hedges and the conversion liability component of the Convertible Bonds due 2023.

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

The fair values at the Balance Sheet date were:

($ in millions)	At 31 December 2018	At 31 December 2017
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	0.3	1.5
Total derivative financial assets	**0.3**	**1.5**

Financial liabilities:		
Conversion liability component of 2023 Convertible Bond	(148.8)	(125.7)
Forward foreign currency contracts– designated cash flow hedges	(3.4)	(9.9)
Forward foreign currency contracts – undesignated cash flow hedges	(0.6)	(0.1)
Total derivative financial liabilities	**(152.8)**	**(135.7)**
Net derivative financial liability	**(152.5)**	**(134.2)**

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

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

The fair value of the conversion liability is calculated as the difference between the fair value of the Convertible Bond (being the principal multiplied by the closing bond price at the Balance Sheet date) and the fair value of a comparable, non-convertible bond, known as a debt host contract. At 31 December 2018, the fair value of the Convertible Bond was $694.6m and the fair value of debt host bond was $545.8m, meaning the conversion liability was valued at $148.8m. As shown in the table below, the increase in the conversion liability from December 2017 to 31 December 2018 has been recognised in the income statement through net financing costs:

($ in millions)	At 31 December 2018	At 31 December 2017	On issuance
Fair value a debt host liability	545.8	561.6	545.5
Fair value of Conversion liability	148.8	125.7	104.5
Total fair value	**694.6**	**687.3**	**650.0**

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

The Group holds the Convertible Bond as a non-current liability on the Balance Sheet, reflecting the expected redemption date of 9 September 2023. As per the Convertible Bond agreement, the bond is convertible from 20 October 2016 on a net share settlement basis meaning a Bondholder could theoretically convert their holding prior to the due date of 9 September 2023. In the event that the share price remains significantly below the conversion price of the bonds ($13.41), any bondholder who converts their Convertible Bond, rather than selling it on the market, would make a material loss. Consequently, in practice, the Group does not believe that any material amounts of the Convertible Bond will be repaid in the next 12 months.

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

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

($ in millions)	At 31 December 2018 Carrying Value	At 31 December 2018 Fair value	At 31 December 2017 Carrying value	At 31 December 2017 Fair value
Financial liabilities:				
Senior Notes due 2022	1,000.0	945.6	1,000.0	1,000.8
Senior Notes due 2024	400.0	382.1	400.0	408.1
Ex-Im Bank Facilities	508.7	508.9	630.9	639.7
Convertible Bonds due 2023 debt component	574.8	545.8	561.6	566.5

8. Dividends Payable

($ in millions)	At 31 December 2018	At 31 December 2017
Final dividend for the year ended 31 December 2017 of 12 cents ($) (year ended 31 December 2016: 33.37 cents ($)) per share	55.0	151.2
Interim dividend for the year ended 31 December 2018 at 8 cents per share (2017: 21.62 cents per share)	36.9	98.6
Dividends in statements of changes in equity	**91.9**	**249.8**
Dividends settled in shares	(22.4)	(45.0)
Dividends settled in cash	**69.5**	**204.8**

The Board declared, and paid on 19 October 2018, an interim dividend of 8.00 cents per ordinary share to ordinary shareholders on the share register at the close of business on 14 September 2018. Dividend payments were made in Pounds Sterling based on the exchange rate from the WMReuters GBP/USD 9am fix (London time) four business days prior to the date of announcement of the scrip reference price.

The Board will propose to shareholders a 2018 final dividend of 12.00 cents per ordinary share, based on the reduced annual level of dividend of 20 cents per share and Inmarsat's historic allocation of 60% of the full year dividend to the final dividend.

A scrip dividend election opportunity exists for shareholders who wish to take their cash dividend entitlement in Inmarsat shares. At the interim stage, the scrip option was taken up by shareholders holding a total of 84,922,556 shares (18.4% of the then issued share capital) with an issue value of $6.8m. These shares were issued on 19 October 2018. Inmarsat plc now has 462,617,429 shares in issue.

9. Earnings per share

Earnings per share for the three months and year ended 31 December 2018 has been calculated based on the profit attributable to equity holders for the period and the weighted average number of ordinary shares in issue (excluding shares held by the Employee Benefit Trust).

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

($ in millions)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Fourth Quarter ended 31 December 2018	Fourth Quarter ended 31 December 2017 (restated)
Profit attributable to equity holders of the Company	124.2	184.4	28.8	33.2
Weighted average number of ordinary shares in issue (m's)	460.3	454.8	458.4	452.3
Potentially dilutive ordinary shares (m's)	7.1	5.1	7.1	5.1
Weighted average number of diluted ordinary shares (m's)	467.4	459.9	465.5	457.4
Basic earnings per share ($ per share)	0.27	0.41	0.06	0.07
Diluted earnings per share ($ per share)	0.27	0.40	0.06	0.07

10. Adjusted earnings per share

Adjusted earnings per share for the three months and year ended 31 December 2018 has been calculated based on profit attributable to equity holders adjusted for the pre-tax impact of the change in the fair value of the conversion liability component of the 2023 Convertible Bonds and the post-tax impact of restructuring costs (2017 only).

($ in millions)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Fourth Quarter ended 31 December 2018	Fourth Quarter ended 31 December 2017 (restated)
Profit attributable to equity holders of the Company	124.2	184.4	28.8	33.2
Adjusted for:				
Increase/(decrease) in fair value of conversion liability component of 2023 Convertible Bonds	23.2	(7.7)	(2.9)	(23.5)
Restructuring costs (post-tax)	–	16.1	–	16.1
Adjusted profit attributable to equity holders of the Company	147.4	192.8	25.9	25.8
Weighted average number of ordinary shares in issue (m's)	460.3	454.8	458.4	452.3
Potentially dilutive ordinary shares (m's)	7.1	5.1	7.1	5.1
Weighted average number of diluted ordinary shares (m's)	467.4	459.9	465.5	457.4
Basic adjusted earnings per share ($ per share)	0.32	0.42	0.06	0.06
Diluted adjusted earnings per share ($ per share)	0.32	0.42	0.06	0.06

11. Contingent assets and liabilities

In December 2018, the International Centre for Dispute Resolution's arbitration tribunal issued a ruling in favour of Inmarsat to conclude Phase 1 of the arbitration for Inmarsat's GX Take-or-Pay contract with RigNet. The tribunal's ruling found that a Take-or-Pay obligation under the original 2014 contract had commenced and consequently RigNet owed Inmarsat $50.8 million plus interest, subject to any offset from RigNet's counterclaims in Phase 2, which is expected to be concluded during the second half of 2019. This asset has not been recognised during the financial year as its receipt is not virtually certain and the amount is dependent on the outcome of the Phase II ruling.

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

12. Events after the balance sheet date

There have been no other material events since the balance sheet date.

APPENDIX 1: ALTERNATIVE PERFORMANCE MEASURES ("APMs")

The Directors use APMs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and the credit rating agencies. Given that APMs are not defined by International Financial Reporting Standards they may not be directly comparable with other companies who use similar measures. APMs used in these financial statements are:

APM	Description and Reconciliation
1. EBITDA	EBITDA is defined as profit for the year before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates. EBITDA is a commonly used industry measure which helps investors to understand the contribution made by each of our business units. It reflects how the effect of growing revenues and cost management deliver value for our shareholders. This measure has been reconciled to both operating profit and profit after tax on page 12.
2. Adjusted PAT	Adjusted PAT is defined as Profit after Tax excluding the non-cash impact of the unrealised movement in the fair value of the conversion liability component of the 2023 convertible bond and the post tax restructuring charge. This measure allows investors to evaluate PAT after stripping out material non-operational items. A reconciliation to Profit after tax can be found on page 12.
3. Direct and indirect costs	Direct costs are defined as expenses that can be traced directly to the sale of a product or service. Indirect costs are those costs which are not directly attributable to a sale. This measure is useful to investors because it allows them to understand the potential development of our cost profile in the future. The sum of direct and indirect costs incurred in 2018 were $695.1m which equals total net operating costs in the Income Statement.
4. Revenue (ex Ligado)	Revenue (ex Ligado) is defined as Group revenue less Ligado revenue. This measure is useful to investors because it excludes revenue that is not considered part of our core operations. This has been reconciled to total revenue on page 3.
5. EBITDA (ex Ligado)	EBITDA (ex Ligado) is defined as Group EBITDA less Ligado EBITDA. Ligado EBITDA consists of Ligado revenues less Ligado costs incurred. This measure allows investors to evaluate the EBITDA that is only attributable to our core operations. Ligado EBITDA for 2018 was $130.6m and comprised of $130.7m revenue and $0.1m. Group EBITDA was $770.1m. Therefore, EBTDA (Excl. Ligado) was $639.5m.
6. Cash Capex	Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. Cash capex indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business. This has been reconciled to total capital expenditure within Note 3.

APM	Description and Reconciliation
7. Adjusted EPS	Adjusted Earnings Per Share is computed as Group Adjusted Profit After Tax attributable to equity holders of the Company divided by the weighted average number of shares in issue (excluding shares held by the Employee Trust). Growth in adjusted EPS is a measure of our ability to deliver profitable growth by increasing our revenue and delivering cost efficiencies across the Group, thereby delivering value for our shareholders. Please refer to Note 10 for the reconciliation of Adjusted EPS to EPS.
8. Free Cash Flow	Free Cash Flow represents how much cash is available to pay back borrowings, distribute to investors or invest in the business in future periods. This has been reconciled to the net increase or decrease in cash and cash equivalents on page 15.
9. Underlying effective tax rate	The underlying effective tax rate is used to analyse differences from the statutory corporate tax rate which are implicit to business operations, rather than driven by accounting adjustments. For the year, this has been calculated by taking the tax charge ($42.9m), less prior year adjustments ($8.0m) and less revaluation of deferred tax balances ($0.2m), all divided by PBT ($167.1m) adjusted for the impact of the unrealised conversion liability of the convertible bonds ($23.2m).
10. Business Unit Operating Cash Flow	This is indicative of the cash generated by the relevant business unit for the period in review. It is calculated by taking EBITDA less cash capex. Both EBITDA and Cash Capex have been defined above and reconciled.

APPENDIX 2: ACCOUNTING POLICY CHANGES

Please see below the impact of the restated numbers on this announcement. The full impact including a detailed assessment of each policy can be seen within Note 2 of the 2018 financial statements

IFRS15 'Revenue from contracts with customers'

The Group has adopted IFRS15 on 1 January 2018 using the fully retrospective method. Two revenue streams were identified as areas requiring Group policy change to align with IFRS15. These are revenues from the Ligado contract and installation revenues.

The impact due to these changes is set out below:

	Year ended 31 December 2017			Fourth Quarter ended 31 December 2017		
($ in millions)	Reported	IFRS 15	Restated	Reported	IFRS 15	Restated
Revenues	**1,400.2**	**(8.5)**	**1,391.7**	**353.7**	**(1.9)**	**351.8**
Other operating costs	(209.1)	16.3	(192.8)	(57.7)	4.5	(53.2)
EBITDA	**731.5**	**7.8**	**739.3**	**163.7**	**2.6**	**166.3**
Depreciation and amortisation	(406.7)	(5.1)	(411.8)	(112.6)	(1.7)	(114.3)
Operating profit	**321.5**	**2.7**	**324.2**	**51.2**	**0.9**	**52.1**
Financing income	6.5	1.3	7.8	1.3	0.4	1.7
Profit before tax	**229.8**	**4.0**	**233.8**	**45.6**	**1.3**	**46.9**
Tax	(47.5)	(1.3)	**(48.8)**	(12.9)	(0.5)	(13.4)
Profit after tax[1]	**182.3**	**2.7**	**185.0**	**32.7**	**0.8**	**33.5**

1 There has been no impact on other comprehensive income due to the adoption of IFRS 15.

	As at 31 December 2017		
($ in millions)	Reported	IFRS 15	Restated
Non-current assets			
Property, plant and equipment	3,236.6	18.9	3,255.5
Deferred income tax asset	35.6	(0.2)	35.4
Current assets			
Trade and other receivables[1]	319.4	25.0	344.4
Total assets	**4,959.5**	**43.7**	**5,003.2**
Current liabilities			
Trade and other payables	584.6	49.8	634.4
Non-current liabilities			
Deferred income tax liabilities	237.3	1.1	238.4
Total liabilities	**3,704.2**	**50.9**	**3,755.1**
Net assets (Equity)	**1,255.3**	**(7.2)**	**1,248.1**

1 Trade and other receivables do not include the adjustment for the change in accounting policy relating to unallocated launch slots

($ in millions)	Year ended 31 December 2017 Reported	IFRS 15	Restated	Fourth Quarter ended 31 December 2017 Reported	IFRS 15	Restated
Cash generated from operations	774.4	15.4	789.8	196.2	4.2	200.4
Net cash inflow from operating activities	**760.1**	**15.4**	**775.5**	**195.5**	**4.2**	**199.7**
Purchase of property, plant and equipment	(438.9)	(15.4)	(454.3)	(91.3)	(4.2)	(95.5)
Net cash used in investing activities	**(546.7)**	**(15.4)**	**(562.1)**	**(260.3)**	**(4.2)**	**(264.5)**
Net (decrease)/increase in cash and cash equivalents	**(115.2)**	**–**	**(115.2)**	**(109.8)**	**–**	**(109.8)**

($ in millions)	Year ended 31 December 2017 Reported	IFRS 15	Restated	Fourth Quarter ended 31 December 2017 Reported	IFRS 15	Restated
Cash capital expenditure						
Maritime	43.4	2.5	45.9	10.1	0.8	10.9
Government	9.9	–	9.9	2.5	–	2.5
Aviation	130.9	12.9	143.8	24.6	3.4	28.0
Enterprise	–	–	–	–	–	–
Central Services	414.5	–	414.5	163.5	–	163.5
Total cash capital expenditure	**598.7**	**15.4**	**614.1**	**200.7**	**4.2**	**204.9**

IFRS16 'Leases'

IFRS16 has been adopted by the Group on 1 January 2018 using the modified retrospective approach which allows for the recognition of the lease liability and asset as at 1 January 2018 with no restatement of prior period financial statements.

The main impact is around property leases where the Group is the lessee.

($ in millions)	Balance Sheet as at 1 January 2018 Reported	IFRS16	Post IFRS16
Non-current assets			
Right of use asset	–	75.7	75.7
Total assets	**4,959.5**	**75.7**	**5,035.2**
Current liabilities			
Trade and other payables	584.6	(11.5)	573.1
Lease obligations	–	13.1	13.1
Non-current liabilities			
Lease obligations	–	74.1	74.1
Total liabilities	**3,704.2**	**75.7**	**3,779.9**
Net assets (Equity)	**1,255.3**	–	**1,255.3**

IFRS9 'Financial Instruments'

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

Launch slot reclassification

As part of its investment in future growth, the Group's operational processes continue to be enhanced and the Group consequently now holds a wider portfolio of launch slots in order to provide satellites launch flexibility. The related accounting policies have now been reassessed and consequently unallocated launch slots, which were previously recorded in prepayments, will now be carried as intangible assets. There is no impact on the income statement from this change.

The 2017 closing balance sheet has been restated accordingly, with intangible assets having been increased by $19.2m to $808.1m and total prepayments have decreased by the same amount to $30.7m.

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.