inmarsat

Inmarsat Group Limited reports Interim Results 2019

Summary and Financial Highlights

Inmarsat delivered a robust performance in the first half of 2019, supported by our diversified growth portfolio, with revenue growth delivered in a focussed set of core end markets, where we lead with sustainable differentiation.

$ in millions	First Half				Second Quarter			
	2019	2018	Change	Change (%)	2019	2018	Change	Change (%)
Group revenue	**733.3**	**717.2**	**16.1**	**2.2%**	**386.4**	**371.8**	**14.6**	**3.9%**
Maritime	255.2	282.1	(26.9)	(9.5%)	126.7	140.1	(13.4)	(9.6%)
Government	211.0	183.1	27.9	15.2%	110.3	104.8	5.5	5.2%
Aviation	154.1	115.5	38.6	33.4%	68.2	59.5	8.7	14.6%
Enterprise	55.4	64.0	(8.6)	(13.4%)	27.2	31.3	(4.1)	(13.1%)
Ligado and other[1]	57.6	72.5	(14.9)	(20.6%)	54.0	36.1	17.9	49.6%
EBITDA[2]	**385.1**	**372.9**	**12.2**	**3.3%**	**232.1**	**197.8**	**34.3**	**17.3%**
Profit after tax	**120.2**	**84.4**	**35.8**	**42.4%**	**102.4**	**50.1**	**52.3**	**104.4%**

Operational Highlights – H1 2019:

- **Group Revenue** increased $16.1m, 2.2%, to $733.3m. Revenue, excluding Ligado and RigNet settlement, up $29.9m, 4.6%, to $682.3m, driven by growth in Aviation and Government:
  - **Maritime:** continued revenue decline in the mid-market partly offset by on-going double-digit revenue growth in fast-growing VSAT segment
  - **Government:** strong performance against particularly tough comparator for US business in Q2
  - **Aviation:** further double-digit revenue growth in In-Flight Connectivity, with steady revenue growth from Core business
  - **Enterprise:** continued decline of products in legacy markets
  - **GX-generated revenues:** increased 60.1% to $176.4m (H1 2018: $110.2m), including $90.7m in Q2 2019 (Q2 2018: $60.2m)
  - **Ligado and other:** includes $50.8m revenue relating to settlement of arbitration case with RigNet
  - **Q2 Group Revenue:** increased $14.6m, 3.9%, to $386.4m. Revenue, excluding Ligado and RigNet settlement, down $3.5m, 1.0%, to $335.6m, due to revenue declines in Maritime and Enterprise more than offsetting revenue growth in Aviation and Government
- **Group EBITDA**: increased by $12.2m, 3.3%, to $385.1m. EBITDA (excluding Ligado, RigNet settlement and costs relating to recommended offer for the Group) increased by $46.9m, 15.2%, to $355.0m, reflecting revenue growth and lower costs:
  - **Q2 Group EBITDA:** increased $34.3m, 17.3%, to $232.1m. EBITDA (excluding Ligado, RigNet settlement and costs relating to recommended offer for the Group), increased by $20.1m, 12.2%, to $185.2m, reflecting lower costs
- **Profit After Tax:** improved by $35.8m, reflecting the revenue relating to settlement of the arbitration case with RigNet, and lowered by costs relating to the recommended offer for the Group.

1 Comprises revenue contribution from Central Services, Ligado Networks and income received as a result of the final settlement of the RigNet arbitration case. Further details on each of these elements can be found in Central Services section of this report.

2 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.

GX network development:

- Design and build of 5 new satellites, to be launched from 2022, announced during the period:
  - GX7, GX8 and GX9 satellites, in partnership with Airbus Defence and Space, to materially enhance GX's network capacity, capabilities and operational agility
  - GX10A and GX10B satellite payloads, in partnership with Space Norway, to provide unique coverage of the Arctic region

Recommended offer for the Group:

- Transaction approved by Inmarsat's shareholders and expected to complete during Q4 2019, subject to receiving certain regulatory conditions as set out in the scheme document. There is good progress on the regulatory processes

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the unaudited consolidated results of the operations and financial condition of Inmarsat Group Limited (the "Company" or, together with its subsidiaries, the "Group") for the half year and second quarter ended 30 June 2019, compared to the same period in 2018. This should be reviewed together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with the measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union. From 1 January 2019, the Group adopted IFRIC23 which has impacted the opening balances of tax liabilities relating to uncertain tax positions and retained earnings (see note 2 of this announcement). 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 the Group's accounting policies and APMs can be found in the Appendices of this report.

H1 2019 - Group Financial Highlights

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue						
Satellite services	682.3	652.4	4.6%	335.6	339.1	(1.0%)
Other revenue[1]	51.0	64.8	(21.3%)	50.8	32.7	55.4%
Total revenue	**733.3**	**717.2**	**2.2%**	**386.4**	**371.8**	**3.9%**
Direct costs	(115.2)	(118.2)	2.5%	(49.2)	(65.2)	24.5%
Gross Margin	**618.1**	**599.0**	**3.2%**	**337.2**	**306.6**	**10.0%**
Indirect costs	(212.1)	(226.1)	6.2%	(101.2)	(108.8)	7.0%
Recommended offer costs	(20.9)	-	-	(3.9)	-	-
EBITDA	**385.1**	**372.9**	**3.3%**	**232.1**	**197.8**	**17.3%**
EBITDA margin %	52.5%	52.0%	-	60.1%	53.2%	-
Cash capex	**168.4**	**257.8**	**34.7%**	**86.6**	**116.5**	**25.7%**

Group revenue increased $16.1m to $733.3m in the half, including an increase of $14.6m to $386.4m in Q2 2019, driven by growth in Aviation and Government as well as settlement of the RigNet arbitration case, offset by a significant decline in the contribution from Ligado, as expected.

Excluding Ligado and the RigNet settlement, revenue was up $29.9m to $682.3m in H1 2019, but was down $3.5m to $335.6m in Q2 2019, due to revenue decline in Maritime and Enterprise more than offsetting revenue growth in Aviation and Government.

1 Comprises revenue contribution from Central Services, Ligado Networks and income received as a result of the final settlement of the RigNet arbitration case. Further details on each of these elements can be found in Central Services section of this report.

GX-generated airtime and related revenues increased by $66.2m to $176.4m (H1 2018: $110.2m), including $90.7m in Q2 2019 (Q2 2018: $60.2m).

Direct costs declined by $3.0m in the half, including a decline of $16.0m in Q2 2019, mainly reflecting changes in revenue mix and a release of provisions against future bad debts, predominantly in Maritime.

Indirect costs fell by $14.0m in the half, including a decline of $7.6m in Q2 2019, mainly as a result of favourable currency movements.

EBITDA, including Ligado, RigNet settlement and costs associated with the recommended offer for the Group, increased by $12.2m to $385.1m in the half, including an increase of $34.3m to $232.1m in Q2 2019.

EBITDA, excluding these items, increased by $46.9m to $355m in the half, including an increase of $20.1m to $185.2m in Q2 2019, reflecting revenue growth during the half and lower costs, particularly in Q2.

Cash capex fell by $89.4m to $168.4m in H1, including a decline of $29.9m to $86.6m in Q2, mainly due to the timing of contractual payments for major infrastructure projects and success-based capex in Aviation.

Maritime

H1 2019 results

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	255.2	282.1	(9.5%)	126.7	140.1	(9.6%)
Direct Costs	(21.0)	(43.6)	51.8%	(10.6)	(21.5)	50.7%
Gross Margin	234.2	238.5	(1.8%)	116.1	118.6	(2.1%)
Indirect costs	(17.7)	(20.6)	14.1%	(9.1)	(10.3)	11.7%
EBITDA	**216.5**	**217.9**	**(0.6%)**	**107.0**	**108.3**	**(1.2%)**
EBITDA margin %	*84.8%*	*77.2%*	-	*84.5%*	*77.3%*	-
Cash capex	(22.0)	(24.0)	8.3%	(10.5)	(12.6)	16.7%
Business Unit Operating Cash Flow	**194.5**	**193.9**	**0.3%**	**96.5**	**95.7**	**0.8%**

Maritime revenue declined by $26.9m in H1 2019, including a decline of $13.4m in Q2, with further double-digit growth from Fleet Xpress (“FX”) offset by lower terminal sales, lower revenue from FleetBroadband (“FB”), partly as a result of vessel migrations to FX, and continued decline in revenues from legacy products.

Direct costs reduced by $22.6m in H1, including a reduction of $10.9m in Q2, reflecting the release of provisions against possible future bad debts, revenue mix and leased capacity cost savings from the migration of XpressLink (“XL”) vessels to FX.

Indirect costs declined by $2.9m, including a decline of $1.2m in Q2, mainly due to the absence of marketing spend relating to the Volvo Ocean Race, which finished in June 2018.

EBITDA declined by $1.4m in H1, including a decline of $1.3m in Q2, with EBITDA margin increasing to 84.8% in H1 and to 84.5% in Q2, driven by the issues outlined above.

Maritime capex declined by $2.0m in H1, including a decline of $2.1m in Q2, reflecting on-going FX customer installations but fewer XL migrations, as the migration programme continues to wind down.

Product performance

	Revenue ($ in millions)		Number of vessels		Average Revenue per User ("ARPU")	
First Half	**H1 2019**	**H1 2018**[1]	**H1 2019**	**H1 2018**[1]	**H1 2019**	**H1 2018**[1]
FleetBroadband ("FB")	133.3	163.9	31,663	34,496	685	770
VSAT (XL and FX)	90.9	77.7	7,068	5,364	2,118	2,530
Fleet One	3.1	3.6	4,739	3,672	79	113
Legacy products	27.9	36.9	n/a	n/a	n/a	n/a

1 Equipment revenue, previously included in "Other" products (and reported separately in our FY18 results statement), is included within the relevant categories listed above in our 2019 results. Terminal sales are excluded from the calculation of ARPU in Maritime whereas terminals leased to the customer are included. A full quarterly reconciliation of these revenues can be found on our website: www.inmarsat.com

	Revenue ($ in millions)		Number of vessels		Average Revenue per User ("ARPU")	
Second Quarter	**Q2 2019**	**Q2 2018**[1]	**Q2 2019**	**Q2 2018**[1]	**Q2 2019**	**Q2 2018**[1]
FleetBroadband ("FB")	65.3	80.2	31,663	34,496	676	762
VSAT (XL and FX)	45.5	41.0	7,068	5,364	2,074	2,508
Fleet One	1.6	1.4	4,739	3,672	45	65
Legacy products	14.3	17.5	n/a	n/a	n/a	n/a

There was further double-digit revenue growth from our VSAT products, with revenues up 17.0% in the half, including an increase of 11.0% in Q2 2019. At the end of the half, there were 7,068 installed VSAT vessels (6,812 of which were FX vessels). The proportion of the total FX vessel base installed by our distribution partners in Q2 2019 was 37% of installed vessels, from 31% in Q2 2018. This mix change continued to drive vessel volumes, but has a dilutive impact on VSAT ARPU, as previously highlighted.

648 vessels were installed with FX in the second quarter, the majority of which were migrated from FB. At just under 30%, during the half, the proportion of FX installations from completely new customers consistently ran ahead of the average for 2018 of c. 19%. The XL migration programme remains on track for completion by the end of 2019, with c. 250 vessels remaining at the end of the half.

FB revenues fell by 18.7% in the half, including a decline of 18.6% in Q2 2019, with an annual net FB vessel decline of 2,833 vessels, of which c. 1,510 of which were customer migrations to FX and other VSAT products. In addition, c. 2,180 vessels were lost due to market and competitive pressures, of which just c. 30% took place in H1 2019 (compared to c. 70% in H2 2018). Furthermore, there was a c. 37% reduction in the rate of vessel losses in the half, compared to the quarterly average for 2018, highlighting continued traction achieved from actions implemented to support market share in the mid-market. The FB vessel losses to VSAT were partly offset by an internal migration of c. 880 FB vessels from Enterprise to Maritime in Q1 2019, as previously disclosed.

FB ARPU declined by 11.0% to $685 per month in the half, reflecting the migration to VSAT being weighted towards higher usage customers, an absence of revenue from the Volvo Ocean Race and the transfer of low-ARPU FB vessels from Enterprise in Q1 2019.

Fleet One airtime and equipment revenue declined by $0.5m to $3.1m in the half, but grew by $0.2m to $1.6m in Q2, due to a lower level of equipment sales.

Legacy products continued to decline by $9.0m in the half, including a decline of $3.2m in Q2.

Government

H1 2019 results

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	211.0	183.1	15.2%	110.3	104.8	5.2%
Direct costs	(42.9)	(32.6)	(31.6%)	(19.4)	(18.4)	(5.4%)
Gross Margin	**168.1**	**150.5**	**11.7%**	**90.9**	**86.4**	**5.2%**
Indirect costs	(21.1)	(21.3)	0.9%	(10.2)	(10.5)	2.9%
EBITDA	**147.0**	**129.2**	**13.8%**	**80.7**	**75.9**	**6.3%**
EBITDA margin %	*69.7%*	*70.6%*	-	*73.2%*	*72.4%*	-
Cash capex	(2.1)	(1.7)	(23.5%)	(1.0)	(0.3)	(233.3%)
Business Unit Operating Cash Flow	**144.9**	**127.5**	**13.6%**	**79.7**	**75.6**	**5.4%**

1 Equipment revenue, previously included in "Other" products (and reported separately in our FY18 results statement), is included within the relevant categories listed above in our 2019 results. Terminal sales are excluded from the calculation of ARPU in Maritime whereas terminals leased to the customer are included. A full quarterly reconciliation of these revenues can be found on our website: www.inmarsat.com

Government revenue increased by $27.9m, 15.2%, to $211.0m in the first half, including an increase of $5.5m, 5.2%, to $110.3m in Q2.

Revenues in our US Government business increased by 13.4% in the half, including growth of 3.1% in Q2 against a particularly tough comparator. This performance was supported by several new business wins and expanded mandates achieved over the previous 12 months, increased government expenditure under long term customer contracts and further underlying growth from the Boeing Take-or-Pay contract.

Outside the US, revenues were up 19.3% in H1 2019, including 10.0% in Q2, driven by GX equipment sales, higher customer spend and activities related to a number of strategic projects.

Direct costs increased by $10.3m, including an increase of $1.0m in Q2, due to revenue growth and mix, while indirect costs were relatively flat at $21.1m in H1 and $10.2m in Q2. Mainly as a result of higher revenue, EBITDA increased by $17.8m in H1 and $4.8m in Q2, but EBITDA margin decreased to 69.7% in H1, driven by revenue mix, particularly in Q1, but increased to 73.2% in Q2, in line with revenue growth.

Aviation

H1 2019 results

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	154.1	115.5	33.4%	68.2	59.5	14.6%
Direct costs	(34.8)	(21.8)	(59.6%)	(10.2)	(13.9)	26.6%
Gross Margin	**119.3**	**93.7**	**27.3%**	**58.0**	**45.6**	**27.2%**
Indirect costs	(31.6)	(33.8)	6.5%	(15.0)	(19.3)	22.3%
EBITDA	**87.7**	**59.9**	**46.4%**	**43.0**	**26.3**	**63.5%**
EBITDA margin %	*56.9%*	*51.9%*	-	*63.0%*	*44.2%*	-
Cash capex	(8.2)	(28.9)	71.6%	-	(9.1)	-
Business Unit Operating Cash Flow	**79.5**	**31.0**	**156.5%**	**43.0**	**17.2**	**150.0%**

Aviation delivered revenue growth of $38.6m, 33.4%, to $154.1m in H1, including an increase of $8.7m, 14.6%, to $68.2m in Q2, driven by IFC equipment sales, further growth in GX airtime revenue and continued stable growth from our Core business.

EBITDA increased by $27.8m, 46.4%, to $87.7m in H1, including an increase of $16.7m, 63.5%, to $43.0m in Q2, mainly driven by revenue growth. EBITDA margin increased to 56.9% for the half, including an increase to 63.0% in Q2. We continue to expect that EBITDA margins in Aviation will gradually return to at least their 2016 margin levels of over 60% by the end of 2021.

Cash flow from Aviation again improved materially with the impact of both higher revenues and lower capex driving an improvement of $48.5m in the half, including an improvement of $25.8m in Q2.

Core / IFC – First Half	**Core**		**IFC**	
($ in millions)	**H1 2019**	**H1 2018**	**H1 2019**	**H1 2018**
Revenue	**81.2**	**74.3**	**72.9**	**41.2**
Direct costs	(0.6)	(0.7)	(34.2)	(21.1)
Gross Margin	**80.6**	**73.6**	**38.7**	**20.1**
Indirect costs	(4.7)	(5.0)	(26.9)	(28.8)
EBITDA	**75.9**	**68.6**	**11.8**	**(8.7)**
EBITDA margin %	93.5%	92.3%	*16.2%*	n/a
Cash capex	–	–	(8.2)	(28.9)
Business Unit Operating Cash Flow	**75.9**	**68.6**	**3.6**	**(37.6)**

Core / IFC – Second Quarter	**Core**		**IFC**	
($ in millions)	**Q2 2019**	**Q2 2018**	**Q2 2019**	**Q2 2018**
Revenue	**42.2**	**37.6**	**26.0**	**21.9**
Direct costs	(0.3)	(0.3)	(9.9)	(13.6)
Gross Margin	**41.9**	**37.3**	**16.1**	**8.3**
Indirect costs[1]	(2.3)	(2.8)	(12.7)	(16.5)
EBITDA	**39.6**	**34.5**	**3.4**	**(8.2)**
EBITDA margin %	93.8%	91.8%	*13.1%*	n/a
Cash capex	–	–	-	(9.1)
Business Unit Operating Cash Flow	**39.6**	**34.5**	**3.4**	**(17.3)**

1 The allocation of Aviation indirect costs between Core and IFC was revised in Q2. The Q1 split has consequently been revised increasing Core by $0.9m and decreasing IFC by $0.9m. Aviation indirect costs are unchanged in aggregate and the resulting allocation is consistent with 2018 reported data.

Core Aviation business

Revenues in our Core Aviation business, comprising SwiftBroadband and JetConneX for BGA, Classic Aero and SwiftBroadband-Safety for SOS and legacy products, grew by $6.9m, 9.3%, to $81.2m in the half, including an increase of $4.6m, 12.2%, to $42.2m in Q2 2019.

By the end of the period, c. 530 aircraft were installed with JetConneX, our GX-based product for BGA, up from c. 290 at the end of H1 2018. JetConneX airtime revenue grew by $10.3m to $18.6m in the half, including an increase of $6.5m to $11.1m in Q2. SwiftBroadband revenues declined by $6.0m, 14.8%, to $34.6m in the half, including a decline of to $2.1m, 10.4%, to $18.1m in Q2, mainly driven by customer migrations to JetConneX.

In SOS, Classic Aero delivered revenue growth of $3.8m, or 18.1%, to $24.8m in H1, including growth of $1.2m, 11.8%, to $11.4m in Q2, reflecting growth in the number of aircraft using the service.

Direct costs in our Core business remained immaterial at $0.6m in the half and $0.3m in Q2, whilst indirect costs decreased by $0.3m in the half and $0.5m in Q2.

EBITDA and Business Unit Operating Cash Flow for the Core Aviation business both grew by $7.3m to $75.9m in the half, including growth of $5.1m to $39.6m in Q2.

IFC

IFC revenues, comprising our GX Aviation services for IFC and our L-band-based IFC services for commercial aviation, together grew by $31.7m to $72.9m in H1 2019, including an increase of $4.1m to $26.0m in Q2 2019.

IFC installation revenues increased materially to $41.2m in the half (from $17.5m in H1 2018), due to a significant order for equipment sales for our customer on the EAN in Q1. IFC installation revenues increased moderately in Q2 2019 to $10.0m, from $9.6m in Q2 2018.

GX airtime revenues were $9.9m in the half, including $5.9m in Q2 2019 (H1 and Q2 2018: $1.4m). Airtime revenues from our L-band-based IFC business during the half were down slightly to $21.8m, including $10.1m in Q2.

We now have around 1,690 aircraft under signed contracts or through hardware commitments for GX and EAN IFC services (including a reduction of c. 100 aircraft, following material internal issues at Garuda Indonesia, which have no direct relation to our contract or service with this customer). In addition, there are c. 300 further aircraft where existing customers have an option to install further aircraft. We continue to pursue our new business pipeline of around 3,000 aircraft.

At the end of H1 2019, there were 666 aircraft installed with Inmarsat GX and EAN equipment across a number of customers (from 600 at the end of Q1 2019), including c. 235 GX connected aircraft now in commercial service (up from c. 145 at the end of Q1 2019).

IFC direct costs increased to $34.2m (H1 2018: $21.1m), driven by a significant sale of equipment in Q1 2019, with direct costs decreasing to $9.9m in Q2 (Q2 2018: $13.6m), given the more normalised level of equipment sales in the quarter. Indirect costs in IFC decreased by $1.9m to $26.9m in H1, including a decrease of $3.8m to $12.7m in Q2, due to the phasing of marketing costs and general cost control.

Cash capex in IFC decreased by $20.7m to $8.2m in the half, including an improvement of $9.1m to zero in Q2, mainly reflecting the timing of installation of GX equipment for certain customers.

IFC EBITDA improved by $20.5m to $11.8m in the half, including an improvement of $11.6m to $3,4m in Q2, with IFC Operating Cash Flow improving by $41.2m to $3.6m in the half, including an improvement of $20.7m to $3.4m in Q2.

Enterprise

H1 2019 results

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue	55.4	64.0	(13.4%)	27.2	31.3	(13.1%)
Direct costs	(6.8)	(12.2)	44.3%	(3.4)	(6.2)	45.2%
Gross Margin	**48.6**	**51.8**	**(6.2%)**	**23.8**	**25.1**	**(5.2%)**
Indirect costs	(9.5)	(11.1)	14.4%	(4.8)	(6.0)	20.0%
EBITDA	**39.1**	**40.7**	**(3.9%)**	**19.0**	**19.1**	**(0.5%)**
EBITDA margin %	*70.6%*	*63.6%*	-	*69.9%*	*61.0%*	-
Cash capex	(0.1)	-	-	-	-	-
Business Unit Operating Cash Flow	**39.0**	**40.7**	**(4.2%)**	**19.0**	**19.1**	**(0.5%)**

Enterprise revenues declined by $8.6m, 13.4% in H1, including a decline of $4.1m or 13.1% in Q2, as a result of on-going market pressure on our legacy product base, lower satellite phone handset sales and a transfer of FB revenue to Maritime (of $2.7m during H1 2019, including $1.5m in Q2 2019).

BGAN revenues were up by $0.1m, 0.8%, to $12.3m in H1, including an increase of $0.8m, 15.7%, to $5.9m in Q2. Fixed-to-mobile declined by $0.9m, 15.5%, to $4.9m in the half, including a decline of $0.1m, 3.8%, to $2.5m in Q2.

Satellite phone revenue declined by $3.8m, or 20.0%, to $15.2m in H1, including a decline of $2.3m, 23.5%, to $7.5m in Q2, with lower levels of handset sales more than offsetting higher airtime revenues.

Machine to Machine ("M2M") revenue declined by $0.4m, 4.0%, to $9.5m in H1, including a decline of $0.2m, 4.0%, to $4.8m in Q2, due to winding down of a capacity lease in Q3 2018.

Other, mainly legacy, product revenues declined by $0.7m, 4.9%, to $13.4m in H1, including a decline of $0.6m, 8.3%, to $6.4m.

Direct costs declined by $5.4m to $6.8m in H1, including a decline of $2.8m to $3.4m in Q2, due to a lower level of satellite phone handset sales. Indirect costs were down by $1.6m to $9.5m in H1, including a decline of $1.2m to $4.8m in Q2, driven by cost containment on the back of lower revenues.

EBITDA was $1.6m lower in H1 and flat in Q2 reflecting the issues above. EBITDA margin was up to 70.6% in H1, and 69.9% in Q2, due to revenue mix.

Central Services

H1 2019 results

	First Half			**Second Quarter**		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Revenue						
Ligado Networks	0.2	64.8	(99.7%)	-	32.7	-
Other	6.6	7.7	(14.3%)	3.2	3.4	(5.9%)
RigNet arbitration settlement	50.8	-	-	50.8	-	-
Total Revenue	**57.6**	**72.5**	**(20.6%)**	**54.0**	**36.1**	**49.6%**
Direct costs	(9.7)	(8.0)	(21.3%)	(5.6)	(5.2)	(7.7%)
Gross Margin	**47.9**	**64.5**	**(25.7%)**	**48.4**	**30.9**	**56.6%**
Indirect costs	(132.2)	(139.3)	5.1%	(62.1)	(62.7)	1.0%
Recommended offer costs	(20.9)	-	-	(3.9)	-	-
EBITDA	**(105.2)**	**(74.8)**	**(40.6%)**	**(17.6)**	**(31.8)**	**44.7%**
Cash capex	(136.0)	(203.2)	33.1%	(75.1)	(94.5)	20.5%
Business Unit Operating Cash Flow	**(241.2)**	**(278.0)**	**13.2%**	**(92.7)**	**(126.3)**	**26.6%**

In line with our co-operation agreement, payments from Ligado to Inmarsat have paused in 2019 (unless Ligado obtains its FCC license during 2019, in which event payments are contracted to resume immediately). Payments will 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) are due for payment by Ligado with interest from their original date of payment no later than 30 June 2021.

Revenue from Ligado consequently fell by $64.6m to $0.2m in H1, including a decline of $32.7m to zero in Q2, as expected. Although the company continues to make available spectrum to Ligado in accordance with the co-operation agreement, the company has not recognised revenue from Ligado due in respect of 2019 given the level of uncertainty of collection of those monies.

During the period, $50.8m of revenue and EBITDA was generated from the litigation settlement with RigNet in respect of the arbitration case at the International Centre for Dispute Resolution relating to Inmarsat's GX Take-or-Pay contract with RigNet, Central Services direct costs increased by $1.7m to $9.7m in H1, including an increase of $0.4m to $5.6m in Q2, due to higher inventory and bad debt provisions.

Indirect costs in Central Services reduced by $7.1 in the half, including a reduction of $0.6m in Q2, mainly reflecting favourable currency movements.

Central Services capex declined by $67.2m to $136.0m in H1, including a reduction of $19.4m to $75.1m in Q2, due to the timing of expenditure on major infrastructure programmes, including the 5th GX satellite and the I-6 satellite infrastructure.

Reconciliation of EBITDA to profit after tax

	First Half			Second Quarter		
($ in millions)	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
EBITDA	**385.1**	**372.9**	**3.3%**	**232.1**	**197.8**	**17.3%**
Depreciation, amortisation and other costs[1]	(245.6)	(232.3)	(5.7%)	(117.3)	(116.8)	(0.4%)
Operating profit	**139.5**	**140.6**	**(0.8%)**	**114.8**	**81.0**	**41.7%**
Net financing costs	(13.6)	(40.6)	66.5%	(7.2)	(19.2)	62.5%
Taxation charge	(5.7)	(15.6)	63.5%	(5.2)	(11.7)	55.6%
Profit after tax	**120.2**	**84.4**	**42.4%**	**102.4**	**50.1**	**104.4%**
Recommended offer costs	20.9	-	-	3.9	-	-
Adjusted Profit after tax	**141.1**	**84.4**	**67.2%**	**106.3**	**50.1**	**112.0%**

1 Other costs consist of fixed asset impairments, losses on disposal of assets and share of profits in associates.

EBITDA

EBITDA, excluding Ligado, RigNet settlement and the recommended offer costs increased by $46.9m to $355.0m in the half, including an increase of $20.1m to $185.2m in Q2 2019, reflecting revenue growth and lower costs.

EBITDA, including these items, increased by $12.2m to $385.1m in the half, including an increase of $34.3m to $232.1m in Q2 2019.

Operating profit

Depreciation, amortisation and other costs increased by $13.3m in the half, including an increase of $0.5m in Q2, due to an increase in asset impairments, particularly in Q1. This more than offset the impact of EBITDA growth in the half on operating profit which consequently declined by $1.1m to $139.5m.

In Q2 2019, operating profit grew by $33.8m, due to growth in EBITDA and relatively flat depreciation, amortisation and other costs.

Net Financing costs

Net financing costs declined by $27.0m in the first half, driven by lower intercompany interest. There was also an increase in capitalised interest of $12.3m in the half and $4.5m in Q2 due to the significant investment in the I-6 satellites in the prior year, which will now attract additional capitalised interest.

Taxation

The underlying effective tax rate has decreased to 9.3% (H1 2018: 20.4%) and is lower than the UK statutory rate of 19% (H1 2018: 19%). Underlying profit before tax, which excludes non-deductible costs associated with the recommended offer for the Group, has increased in the period due to an increase in profit, however the underlying tax charge has remained relatively flat, driven by adjustments in respect of prior periods.

The reported tax charge decreased by $10m to $5.7m reflecting the impact of lower taxable profits, the downward revaluation of Norwegian-related deferred tax assets and a number of other individually small issues.

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. $106m, 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 now anticipates a conclusion in respect of the most significant enquiry in H2 2019.

Profit after tax ("PAT")

PAT increased by $56.7m to $141.1m in the half, including an increase of $56.1m to $106.2m in Q2.

Cash Flow[1]

	First Half		**Second Quarter**	
($ in millions)	**2019**	**2018**	**2019**	**2018**
EBITDA	**385.1**	**372.9**	**232.1**	**197.8**
Non-cash items	6.5	(2.0)	2.3	(4.5)
Change in working capital	(9.5)	(53.0)	(38.2)	(17.8)
Cash generated from operations	**382.1**	**317.9**	**196.2**	**175.5**
Cash capital expenditure	(168.4)	(257.8)	(86.6)	(116.5)
Net interest paid	(41.7)	(54.1)	(35.4)	(38.0)
Tax (paid) / received	(0.2)	1.4	0.8	(0.2)
Free cash flow	**171.8**	**7.4**	**75.0**	**20.8**
Dividends paid to shareholders	(56.2)	(51.4)	(56.2)	(51.4)
Other movements	(6.2)	(7.8)	(3.1)	(4.3)
Net cash flow	**109.4**	**(51.8)**	**15.7**	**(34.9)**
Increase due to short-term cash deposits	145.7	170.5	70.2	26.8
Net repayment of borrowings	(61.1)	(61.6)	-	-
Net increase / (decrease) in cash and cash equivalents	**194.0**	**57.1**	**85.9**	**(8.1)**

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

Net cash flow improved by $160.8m in H1, including an improvement of $50.2m in Q2, and free cash flow improved by $164.0m in H1, including an improvement of $53.8m in Q2. This is mainly due to higher EBITDA, lower cash capital expenditure, lower net interest paid and an improvement in working capital in Q1 2019.

The movement in Working Capital in H1 was mainly driven by (a) a reduction of $90.4m in receivables ($19.2m of which due to improved customer collections) (b) a $17.3m reduction in inventories, following the sale of terminal equipment which had been built up at year end and (c) a decrease in payables of $120.6m ($41.1m being due to due to the timing of supplier payments at the end of Q2). Receivables, inventory and payables decreased by $64.5m, $5.2m and $98.6 respectively in Q2, driven by the reasons identified for the half year. The release and utilisation of provisions totalling $9.1m also impacted the quarterly working capital movement.

Capital expenditure

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Major infrastructure projects[1]	90.4	149.7	72.8	95.0
Success-based capex[2]	23.4	74.9	12.1	19.2
Other capex[3]	54.5	51.9	23.8	25.0
Cash flow timing[4]	0.1	(18.7)	(22.1)	(22.7)
Total cash capital expenditure	**168.4**	**257.8**	**86.6**	**116.5**

Capital expenditure fell by $89.4m during the half and $29.9m in Q2, driven mainly by (a) the timing of contractual payments on major infrastructure investments, particularly the I-6 satellites and (b) a $51.5m reduction in success-based capex, reflecting lower levels of GX installations in Aviation. Other capex increased by $2.6m in the half offset by $1.2m decrease in the quarter, due to moderately higher investment in internal IT systems and infrastructure in Q1.

Liquidity and net borrowings

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Cash and cash equivalents				
At beginning of the period	138.3	142.9	246.2	209.3
Net increase/(decrease) in cash and cash equivalents	194.0	57.1	85.9	(8.1)
Foreign exchange adjustment	0.2	2.4	0.4	1.2
Sub-total (net of bank overdrafts)	**332.5**	**202.4**	**332.5**	**202.4**
Short term deposits				
At beginning of the period	145.7	342.0	70.2	198.3
Net decrease in short term deposits	(145.7)	(170.5)	(70.2)	(26.8)
Sub-total	**-**	**171.5**	**-**	**171.5**
Total cash, cash equivalents and short term deposits	**332.5**	**373.9**	**332.5**	**373.9**
Opening net borrowings[5]	**1,612.1**	**1,963.3**	**1,517.9**	**1,978.5**
Net cash flow	(109.4)	51.8	(15.7)	34.9
Other movements[6]	0.6	(4.3)	1.1	(2.6)
Closing net borrowings[5]	**1,503.3**	**2,010.8**	**1,503.3**	**2,010.8**

At 30 June 2019, the Group had over $1 billion in available liquidity, including cash and cash equivalents of $332.5m, and available but undrawn committed borrowing facilities of $750.2m under a Senior Revolving Credit Facility.

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

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

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

4 "Cash flow timing" represents the difference between fixed asset additions as reported in the balance sheet and the underlying cash disbursements.

5 Net borrowings includes the debt component of the convertible bond, total borrowings less cash and cash equivalents and short-term investments. Borrowings exclude accrued interest.

6 Other movements relate primarily to the amortisation of deferred financing costs.

Related Party Transactions & Principal Risks and Uncertainties

There have been no material changes in the related party transactions nor in the principal risks and uncertainties described in the 2018 Inmarsat Group Limited Annual Report and Accounts.

Inmarsat Group Limited, 99 City Road, London EC1Y 1AX

By order of the Board,

Rupert Pearce Chief Executive Officer 1 August 2019	Tony Bates Chief Financial Officer 1 August 2019

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter ended 30 June 2019 (unaudited)

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Revenues	**733.3**	**717.2**	**386.4**	**371.8**
Employee benefit costs	(145.3)	(147.3)	(70.0)	(72.5)
Network and satellite operations costs	(84.9)	(94.8)	(42.1)	(47.3)
Impairment of financial assets	6.4	(4.4)	1.4	(0.8)
Other operating costs	(144.2)	(117.7)	(53.0)	(63.3)
Own work capitalised	19.8	19.9	9.4	9.9
Total net operating costs	(348.2)	(344.3)	(154.3)	(174.0)
EBITDA	**385.1**	**372.9**	**232.1**	**197.8**
Depreciation and amortisation	(234.2)	(232.5)	(117.7)	(116.5)
Impairment loss	(12.4)	-	-	-
Loss on disposals of assets	(1.0)	(1.6)	(0.7)	(1.2)
Share of profit of associates	2.0	1.8	1.1	0.9
Operating profit	**139.5**	**140.6**	**114.8**	**81.0**
Financing income	4.8	4.4	2.1	2.4
Financing costs	(18.4)	(45.0)	(9.3)	(21.6)
Net financing costs	(13.6)	(40.6)	(7.2)	(19.2)
Profit before tax	**125.9**	**100.0**	**107.6**	**61.8**
Taxation charge	(5.7)	(15.6)	(5.2)	(11.7)
Profit for the period	**120.2**	**84.4**	**102.4**	**50.1**
Attributable to:				
Equity holders	**119.7**	**84.1**	**102.1**	**49.9**
Non-controlling interest[1]	**0.5**	**0.3**	**0.3**	**0.2**

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

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2019 (unaudited)

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Profit for the period	**120.2**	**84.4**	**102.4**	**50.1**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	(0.4)	-	(0.3)	(0.3)
Gains/(losses) on cash flow hedges	0.2	(2.7)	(0.9)	(5.4)
Items that will not be reclassified subsequently to the Income Statement:				
Re-measurement of the defined benefit asset	0.8	16.0	0.8	16.0
Tax credited directly to equity	(0.1)	(3.6)	(0.1)	(3.6)
Other comprehensive income for the period, net of tax	**0.5**	**9.7**	**(0.5)**	**6.7**
Total comprehensive (loss)/income for the period, net of tax	**120.7**	**94.1**	**101.9**	**56.8**
Attributable to:				
Equity holders	**120.2**	**93.8**	**101.6**	**56.6**
Non-controlling interest	**0.5**	**0.3**	**0.3**	**0.2**

INMARSAT GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
For the quarter ended 30 June 2019 (unaudited)

($ in millions)	As at 30 June 2019 (unaudited)	As at 31 December 2018	As at 30 June 2018 (restated)[1]
Assets			
Non-current assets			
Property, plant and equipment	3,306.6	3,356.1	3,287.9
Intangible assets	804.1	800.4	798.3
Investments	20.7	18.8	17.3
Right of Use Assets	56.3	62.4	66.8
Other receivables	33.4	35.2	17.3
Deferred tax asset	40.9	52.5	31.0
Derivative financial instruments	-	-	-
	4,262.0	**4,325.4**	**4,218.6**
Current assets			
Cash and cash equivalents	332.5	138.3	202.7
Short-term deposits	-	145.7	171.5
Trade and other receivables	418.5	400.9	375.5
Inventories	33.3	50.7	46.5
Current tax assets	5.4	4.6	-
Derivative financial instruments	0.2	0.3	-
Restricted cash	2.7	2.4	2.4
	792.6	**742.9**	**798.6**
Total assets	**5,054.6**	**5,068.3**	**5,017.2**
Liabilities			
Current liabilities			
Borrowings	123.2	123.2	244.2
Trade and other payables	712.3	777.1	831.3
Provisions	23.5	14.3	7.5
Current tax liabilities	182.2	189.0	142.6
Derivative financial instruments	1.8	2.4	5.6
Lease obligations	11.1	10.4	12.2
	1,054.1	**1,116.4**	**1,243.4**
Non-current liabilities			
Borrowings	1,712.6	1,772.9	2,140.8
Other payables	11.6	13.9	19.0
Provisions	5.6	11.1	9.0
Deferred tax liabilities	259.2	250.3	236.6
Derivative financial instruments	0.4	1.6	1.5
Lease obligations	53.5	59.6	63.8
	2,042.9	**2,109.4**	**2,470.7**
Total liabilities	**3,097.0**	**3,225.8**	**3,714.1**
Net assets	**1,957.6**	**1,842.5**	**1,303.1**
Shareholders' equity			
Ordinary shares	0.4	0.4	0.4
Share premium	1,118.5	1,118.5	677.4
Other reserves	441.3	435.5	428.6
Retained earnings	396.1	287.3	196.4
Equity attributable to shareholders	**1,956.3**	**1,841.7**	**1,302.8**
Non-controlling interest	1.3	0.8	0.3
Total equity	**1,957.6**	**1,842.5**	**1,303.1**

1 In Q4 2018, the Group changed the accounting policy relating to unallocated launch slots. Refer to Note 2 for further details

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter ended 30 June 2019 (unaudited)

($ in millions)	**Share capital**	**Share premium**	**Share option reserve**	**Cash flow hedge reserve**	**Other[1]**	**Retained earnings**	**NCI[2]**	**Total**
Balance at 1 January 2018	**0.4**	**677.4**	**104.0**	**(7.7)**	**327.5**	**411.9**	**0.6**	**1,514.1**
Share-based payments[3]	-	-	4.0	-	-	-	-	4.0
Dividend declared	-	-	-	-	-	(312.0)	(0.6)	(312.6)
Losses on cash flow hedges capitalised to tangible	-	-	-	3.5	-	-	-	3.5
Comprehensive Income:								
Profit for the period	-	-	-	-	-	84.1	0.3	84.4
OCI – before tax	-	-	-	(2.7)		16.0	-	13.3
OCI – tax	-	-	-	-	-	(3.6)	-	(3.6)
Balance at 30 June 2018	**0.4**	**677.4**	**108.0**	**(6.9)**	**327.5**	**196.4**	**0.3**	**1,303.1**
Balance at 1 January 2019	**0.4**	**1,118.5**	**112.2**	**(4.0)**	**327.3**	**287.3**	**0.8**	**1,842.5**
Share-based payments[3]	-	-	5.6	-	-	2.1	-	7.7
IFRIC 23 Adjustment[4]	-	-	-	-	-	(13.7)	-	(13.7)
Loss on cash flow hedges capitalised to tangible	-	-	-	0.4	-	-	-	0.4
Comprehensive Income:								
Profit for the year	-	-	-	-	-	119.7	0.5	120.2
OCI – before tax	-	-	-	0.2	(0.4)	0.8	-	0.6
OCI – tax	-	-	-	-	-	(0.1)	-	(0.1)
Balance at 30 June 2019	**0.4**	**1,118.5**	**117.8**	**(3.4)**	**326.9**	**396.1**	**1.3**	**1,957.6**

1 The 'other' reserve relates to the capital contribution reserve of $327.9m (2018: $327.9), the currency reserve debit of $1.6m (2018: $1.0m) and the revaluation reserve of $0.6m (2018: $0.6m).

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 Refer to note 2 for further details

INMARSAT GROUP LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the quarter ended 30 June 2019 (unaudited)

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Cash flow from operating activities				
Cash generated from operations	382.1	317.9	196.0	175.5
Interest received	4.3	2.7	2.6	2.1
Tax (paid) / received	(0.2)	1.4	0.8	(0.2)
Net cash inflow from operating activities	**386.2**	**322.0**	**199.4**	**177.4**
Cash flow from investing activities				
Purchase of property, plant and equipment	(112.4)	(162.3)	(57.8)	(57.2)
Additions to intangible assets	(36.3)	(75.5)	(19.5)	(50.3)
Own work capitalised	(19.7)	(20.0)	(9.3)	(9.0)
Proceeds from short-term deposits[1]	145.7	275.7	70.2	108.3
Payments to short-term deposits[1]	-	(105.2)	-	(81.5)
Net cash used in investing activities	**(22.7)**	**(87.3)**	**(16.4)**	**(89.7)**
Cash flow from financing activities				
Dividends paid to shareholders	(56.2)	(51.4)	(56.2)	(51.4)
Repayment of borrowings	(61.1)	(61.1)	-	-
Interest paid	(46.0)	(56.8)	(38.0)	(40.1)
Arrangement costs of financing	-	(0.6)	-	-
Cash payments for the principal portion of the lease obligations	(4.9)	(6.9)	(2.4)	(3.9)
Other financing activities	(1.3)	(0.8)	(0.7)	(0.4)
Net cash used in financing activities	**(169.5)**	**(177.6)**	**(97.3)**	**(95.8)**
Net increase/(decrease) in cash and cash equivalents	**194.0**	**57.1**	**85.7**	**(8.1)**
Cash and cash equivalents				
At beginning of the period	138.3	142.9	246.4	209.3
Net increase/(decrease) in cash and cash equivalents	194.0	57.1	85.7	(8.1)
Exchange gains on cash and cash equivalents	0.2	2.4	0.4	1.2
At end of the period (net of bank overdrafts)	**332.5**	**202.4**	**332.5**	**202.4**
Comprising:				
Cash at bank and in hand	277.5	99.4	277.5	99.4
Short-term deposits with original maturity of <3months	55.0	103.3	55.0	103.3
Cash and cash equivalents	**332.5**	**202.7**	**332.5**	**202.7**
Bank overdrafts	-	(0.3)	-	(0.3)
Net cash and cash equivalents at end of period	**332.5**	**202.4**	**332.5**	**202.4**

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

2. Principal accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the half year 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. They were approved by the Board of Directors on 1 August 2019.

The financial information presented in this release does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 18 March 2019. The auditor’s report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Going Concern

The Group has a robust and resilient business model, and is expected to generate positive free cash flow over the medium term and is compliant with all banking covenants. The Directors therefore believe that the Company and the Group are well placed to manage their business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat 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 2018, the Group changed the accounting policy relating to unallocated launch slots. For further details please refer to note 2 of the 2018 Annual Report. As a result, the comparative financial numbers as at 30 June 2018 have been restated and intangible assets have increased by $19.2m to $798.3m and total trade and other receivables have decreased by $19.2m to $375.5m. There has been no impact to total assets.

From 1 January 2019, the Group has applied IFRIC23 which clarifies the valuation of uncertain tax positions. This has been adopted prospectively. The adjustment as at 1 January 2019 in the Group’s Balance Sheet is an increase of $7.8m to the current tax creditor and an increase of $5.9m to the deferred tax creditor, while opening 2019 retained earnings are decreased by $13.7m.

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.

	First Half		Second Quarter	
($ in millions)	**2019**	**2018**	**2019**	**2018**
Revenues				
Maritime	255.2	282.1	126.7	140.1
Government	211.0	183.1	110.3	104.8
Aviation	154.1	115.5	68.2	59.5
Enterprise	55.4	64.0	27.2	31.3
Central Services[1]	57.6	72.5	54.0	36.1
Total revenues	**733.3**	**717.2**	**386.4**	**371.8**
EBITDA				
Maritime	216.5	217.9	107.0	108.3
Government	147.0	129.2	80.7	75.9
Aviation	87.7	59.9	43.0	26.3
Enterprise	39.1	40.7	19.0	19.1
Central Services[1]	(105.2)	(74.8)	(17.6)	(31.8)
Total EBITDA	**385.1**	**372.9**	**232.1**	**197.8**
Depreciation and amortisation	(234.2)	(232.5)	(117.7)	(116.5)
Other	(11.4)	0.2	0.4	(0.3)
Operating profit	**139.5**	**140.6**	**114.8**	**81.0**
Net financing costs	(13.6)	(40.6)	(7.2)	(19.2)
Profit before tax	**125.9**	**100.0**	**107.6**	**61.8**
Taxation charge	(5.7)	(15.6)	(5.2)	(11.7)
Profit for the period	**120.2**	**84.4**	**102.4**	**50.1**
Cash capital expenditure				
Maritime	22.0	24.0	10.5	12.6
Government	2.1	1.7	1.0	0.3
Aviation	8.2	28.9	-	9.1
Enterprise	0.1	-	-	-
Central Services	136.0	203.2	75.1	94.5
Total cash capital expenditure	**168.4**	**257.8**	**86.6**	**116.5**
Financing costs capitalised in the cost of qualifying assets	29.2	17.6	14.5	10.5
Cash flow timing	(0.1)	18.7	22.1	22.3
Total capital expenditure	**197.5**	**294.1**	**123.2**	**149.3**

1 Central Services includes revenue and EBITDA from Ligado and Litigation income from RigNet.

4. Net financing costs

($ in millions)	First Half 2019	First Half 2018	Second Quarter 2019	Second Quarter 2018
Bank interest receivable and other interest	(3.9)	(4.4)	(1.7)	(2.4)
Related party interest income	(0.7)	-	(0.4)	-
Pension and post-retirement liability finance income	(0.2)	-	-	-
Total financing income	**(4.8)**	**(4.4)**	**(2.1)**	**(2.4)**
Interest on Senior Notes and credit facilities	45.2	46.4	22.4	23.0
Amortisation of debt issue costs	1.4	5.5	1.6	2.8
Amortisation of discount on Senior Notes due 2022	0.5	0.5	0.2	0.2
Amortisation of discount on deferred satellite liabilities	-	0.1	-	-
Net interest on the net pension asset and post-employment liability	-	-	0.4	-
Interest on lease obligations	1.3	1.4	0.6	0.7
Related party interest payable	-	9.0	-	4.3
Other interest	(0.8)	(0.3)	(1.4)	1.1
	47.6	**62.6**	**23.8**	**32.1**
Less: Amounts capitalised in the cost of qualifying assets	(29.2)	(17.6)	(14.5)	(10.5)
Financing costs	**18.4**	**45.0**	**9.3**	**21.6**
Net financing costs	**13.6**	**40.6**	**7.2**	**19.2**

5. Net Borrowings

	At 30 June 2019			At 31 December 2018		
($ in millions)	**Amount**	**Deferred finance costs**	**Net balance**	**Amount**	**Deferred finance costs**	**Net balance**
Current:						
Bank overdrafts	-	-	-	-	-	-
Deferred satellite payments	1.0	-	1.0	1.0	-	1.0
Ex-Im Bank Facilities	122.2	-	122.2	122.2	-	122.2
Total current borrowings	**123.2**	**-**	**123.2**	**123.2**	**-**	**123.2**
Non-current:						
Deferred satellite payments	3.5	-	3.5	4.4	-	4.4
Senior Notes due 2022	1,000.0	(3.3)	996.7	1,000.0	(3.9)	996.1
– Net issuance discount	(2.9)	-	(2.9)	(3.4)	-	(3.4)
Senior Notes due 2024	400.0	(3.8)	396.2	400.0	(4.2)	395.8
Ex-Im Bank Facilities	325.4	(6.3)	319.1	386.5	(6.5)	380.0
Total non-current borrowings	**1,726.0**	**(13.4)**	**1,712.6**	**1,787.5**	**(14.6)**	**1,772.9**
Total borrowings	**1,849.2**	**(13.4)**	**1,835.8**	**1,910.7**	**14.6)**	**1,896.1**
Cash and cash equivalents	(332.5)	-	(332.5)	(138.3)	-	(138.3)
Short-term deposits	-	-	-	(145.7)	-	(145.7)
Net borrowings	**1,516.7**	**(13.4)**	**1,503.3**	**1,626.7**	**(14.6)**	**1,612.1**

In the event of a change of control all existing borrowings would become repayable in accordance with change of control clauses within the existing agreements. The existing borrowings continue to be classified as non-current given the current status of the offer discussed on page 1. For further details of the Group's debt structure please refer to note 20 of the 2018 Annual Report.

6. Fair value of financial instruments

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

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

The fair values at the Balance Sheet date were:

($ in millions)	At 30 June 2019	At 31 December 2018
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	0.2	0.3
Forward foreign currency contracts – undesignated cash flow hedges	-	-
Total derivative financial assets	**0.2**	**0.3**
Financial liabilities:		
Forward foreign currency contracts– designated cash flow hedges	(2.2)	(3.4)
Forward foreign currency contracts – undesignated cash flow hedges	-	(0.6)
Total derivative financial liabilities	**(2.2)**	**(4.0)**
Net derivative financial liability	**(2.0)**	**(3.7)**

The fair values of forward foreign exchange contracts are based on the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end. The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

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

	At 30 June 2019		At 31 December 2018	
($ in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities:				
Senior Notes due 2022	1,000.0	1,010.9	1,000.0	945.6
Senior Notes due 2024	400.0	420.6	400.0	382.1
Ex-Im Bank Facilities	447.6	447.8	508.7	508.9

7. 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. A contingent asset was reported as the receipt was not virtually certain and the amount was dependent on the outcome of the Phase II ruling. In June 2019, an out of court settlement was reached and the revenue recognised.

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.

8. 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 9.
2. Adjusted PAT	Adjusted PAT is defined as Profit after Tax excluding the recommended offer costs. 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 9.
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 2019 were $327.3m which equals total net operating costs of $348.2m in the Income Statement less the $20.9m recommended offer costs.
4. 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.
5. Free Cash Flow	Free Cash Flow represents how much cash is available to pay back borrowings, distribute to investors or invest in the business in future periods. This has been reconciled to the net increase or decrease in cash and cash equivalents on page 10.
6. Underlying effective tax rate	The underlying effective tax rate is used to analyse differences from the statutory corporate rate which are implicit to business operations, rather than driven by accounting adjustments. For the quarter, this has been calculated by taking the tax charge ($5.7m), addition of prior year adjustments ($9.1m), and less deferred tax not recognised ($1.0m), all divided by the underlying PBT ($146.8m) which excludes exceptional items relating to the costs associated with the recommended offer for the Group ($20.9m).
7. 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 in the various Business Unit reviews in this report.