ENABLING CONNECTIVITY

ANNUAL REPORT AND ACCOUNTS 2018

inmarsat

The mobile satellite company

Our investor proposition

A differentiated market position and diversified growth portfolio

Compelling market opportunity

Significant future growth in demand for data 'on the move'

↓

Can only be served by satellite connectivity

↓

Mobility markets

- MARITIME
- GOVERNMENT
- AVIATION
- ENTERPRISE

Highly differentiated proposition

- Specialised in mobility
- Market-leading capabilities
- Two complementary global networks
- Global spectrum assets
- Technology leadership

Long-standing market presence

- 39 year track record in attractive growth markets
- Long term customer relationships, with high switching costs
- Unrivalled global distribution network
- Global presence enables meaningful moderation in infrastructure capex after 2020

Diversified growth portfolio

Base case

- L-band based services
- GX services in incumbency markets
- In-Flight Connectivity

Incremental options

- Government strategic deals and optempo
- Spectrum
- Digital services
- Internet of Things
- China and India

More about our performance in the CEO's review **Page 9**

ENABLING CONNECTIVITY

Anywhere in the world, Inmarsat connects customers to a better future. However big the challenge, on land, in the air or at sea, Inmarsat will be there. Inmarsat wants to turn its customers' biggest challenges into their greatest opportunities

Revenue
$1,465.2m
+5.3%

EBITDA[1]
$770.1m
+4.2%

Cash CAPEX[1]
$590.7m
3.8% lower

Profit after tax
$125.0m
(32.4)%

1 These represent alternative performance measures ('APMs'). Please refer to note 2 in the financial statements

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Group at a glance

Enabling connectivity across our chosen end markets

Our four business units provide unrivalled global, mobile connectivity to our customers in our chosen end markets.

Maritime

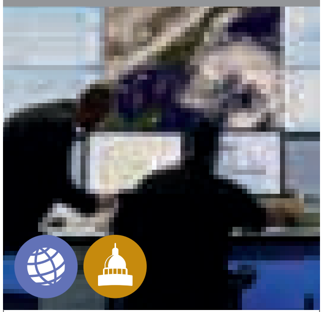
Inmarsat offers the most reliable and resilient communications solutions to the maritime industry. From the largest commercial fleets to coastal vessels, our services are based on our long track record of managing global networks and consequently, a unique understanding of the challenges of living and working in a maritime environment.

Our secure, globally available services and products are helping to drive an evolution in:

- Vessel performance and efficiency
- Safety management and monitoring
- Crew welfare

Maritime business overview **Page 20**

Government



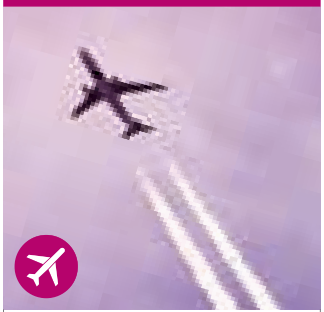
Inmarsat remains a key partner to many governments around the world. We aim to augment a government's existing communications network and ensure that, wherever they need to be, our secure, reliable and powerful mobile satellite networks are always available.

Our mission-critical voice, video and data communications solutions help governments on land, at sea and in the air to:

- Maintain their security
- Ensure public safety
- Deliver remote health, education and other crucial services in regions where terrestrial networks are not able to reach

Government business overview **Page 24**

Aviation



Inmarsat provides cabin connectivity to the Business and General Aviation ('BGA') sectors and the Commercial Aviation sector, through In-Flight Connectivity. Furthermore, our connectivity products in the Safety and Operational Services sector ensure safe and secure communications between the cockpit and air traffic control.

Our unique position in the Aviation market is supported by:

- Benefits of owner economics
- Long track record serving the Aviation industry
- Continual innovation and product development in this sector

Aviation business overview **Page 28**

Enterprise

Inmarsat provides a wide portfolio of global voice, broadband data, Machine2Machine ('M2M') and value-added services. We see exciting growth opportunities in the medium-term from emerging new Internet of Things ('IoT') markets in sectors such as mining, smart cities, smart agriculture, logistics and transportation.

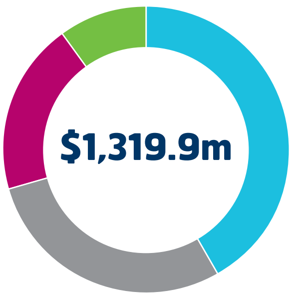
Inmarsat has the ability to:

- Extend the range of terrestrial networks and narrow the digital divide
- Enhance resiliency and redundancy
- Provide capabilities such as broadcast services and precision navigation services

Enterprise business overview **Page 32**

REVENUE

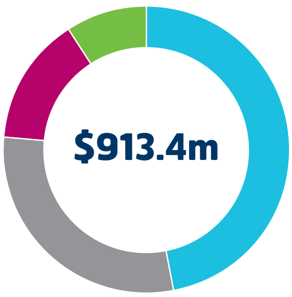
Maritime	$552.8m*	42%
Government	$381.0m*	29%
Aviation	$256.1m*	19%
Enterprise	$130.0m*	10%



* Numbers exclude the impact of central services

EBITDA

Maritime	$429.0m*	47%
Government	$270.2m*	30%
Aviation	$131.9m*	14%
Enterprise	$82.3m*	9%



An unrivalled portfolio

1,800+
Employees with a culture focused on innovation and performance excellence

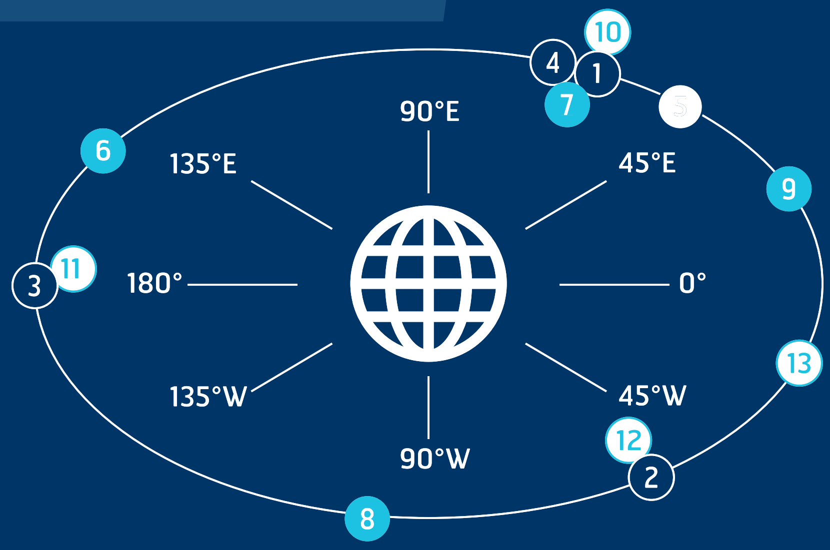
39
Our office presence in countries around the world

13
Geostationary satellites owned and operated

10
Satellite Access Stations strategically located worldwide

Through our best in class networks we help our customers to communicate where terrestrial telecom networks lack reliability or coverage; on land, at sea or in the air

Inmarsat satellites in geostationary orbit



① ② ③ ④ Global Xpress – a global, high bandwidth satellite network

GX, based on our four Inmarsat-5 satellites currently in orbit, is a global, mobile, high bandwidth network. The GX network will be further augmented by new, low-cost technologies in the future, including GX5, which is planned for launch in 2019.

⑤ The European Aviation Network – a unique asset

The integrated S-band satellite and air-to-ground network, the EAN, will be a compelling and unique proposition for commercial aviation customers in Europe, compared to other satellite-only offerings. The network delivers higher capacity, wider coverage, superior cost per bit, faster speeds and lower latency, with smaller and lighter equipment which can be installed quickly, more cost effectively and with less fuel drag.

⑥ ⑦ ⑧ ⑨ ⑩ ⑪ ⑫ ⑬ High-performance mobility-designed L-band satellites – supported by secure networks and technology

Our L-band networks, through eight Inmarsat-3 and Inmarsat-4 satellites, have helped Inmarsat to establish and develop a loyal customer and distribution base over time. The Inmarsat-6 satellites comprise two dual payload (L-band and Ka-band) satellites due to be launched at the start of the next decade. This will ensure the reorientation of our L-band capabilities towards new growth opportunities uniquely addressable by a cutting edge global network, with a small, low-cost, highly reliable and agile device to deliver our services to end users.

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How we keep our customers connected

Our satellites power global connectivity with voice and high-speed data communication wherever it is needed

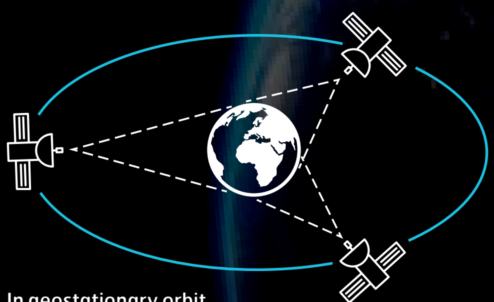
Communications satellites

Satellites are self-contained communications systems with the ability to receive and retransmit signals from and back to Earth, through the use of integrated receivers and transmitters of signals (transponders).

Strategically located satellite access stations

Ground stations – also known as satellite access stations ('SAS') – act as traffic gateways, directing the satellite signal to terrestrial networks such as the internet or the terrestrial telephone network and back again.

Continuous global coverage



In geostationary orbit, three satellites can provide continuous global coverage (excluding the poles)

1.5 billion km

travelled by a satellite during its lifetime

On land, at sea or in the air

Our services are accessed using a variety of devices, from hand-held satellite phones and remote site fixed installations, to vessel, vehicular and airborne mobile terminals, offering different performance options to suit our customers' needs.

From streaming must-watch movies, to mission-critical communications

Satellite communications will continue to play a critical part in supporting a connected society. The major growth area in the industry will continue to be mobility connectivity, with significant expected growth in the use of data on the move and in remote areas in the future.

50 billion

Connected devices by 2020 (Source: Cisco)

Ensuring networks are available and meeting demand 24/7

The Network Operations Centre ('NOC') at our HQ in London is responsible for the co-ordination of all network activities, constantly monitoring the ground network to ensure our services are available.

Our sophisticated technology enables the NOC team to increase capacity in any part of the world – for example, in the event of a natural disaster when demand from emergency responders and media users in a particular region increases.

24/7

Network availability

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Chairman's statement

Continuing to deliver

Inmarsat continued to perform well operationally and financially in 2018, however, headwinds in the sector generally and challenges in our Maritime end market continue to cast a shadow over significant growth in the Aviation and Government business sectors. This has certainly affected our share price performance. However, the Management and Board believe that the significant investments made over the last five years will continue to positively develop, and thus enhance, the Group's future financial performance and, consequently, returns to our shareholders

ANDREW SUKAWATY
CHAIRMAN

Financial performance on track – revenue growth of 5%

Revenue growth was up 5% year on year ('yoy') while EBITDA was up 4% yoy. EBITDA margins were steady at around 53% however profit after tax was down 32% yoy. Capex reduced by 4%. EPS was 27 cents per share. Significantly, revenue from our new Global Xpress constellation rose by 85% to over $250m, which bodes well for the expectations that came with this investment and is on track for our annual revenue growth target of $500m by the end of 2020.

Global Xpress (GX) constellation proving to be growth catalyst

With the significant yoy revenue growth from GX, supported by contributions from Government, Maritime and our Aviation sectors, the GX programme is seeing significant acceptance across a broad and diversified group of customers. With a world leading position and a head start over other commercial satellite players in this rapidly emerging global mobile broadband satellite opportunity, Inmarsat is well positioned to be a leader in these markets as they grow. Our investment thesis was and is that broadband demand in Aviation, Government and Maritime in geographic areas where terrestrial networks cannot function, will continue to offer superior profitable growth opportunities for Inmarsat. Early indications are beginning to validate this thesis.

Disappointing share price performance – dividend reduction and other factors

Four developments have clearly put negative pressure on our share price in 2018. Firstly, we announced a significant reduction in our dividend with our 2017 Results announcement. We did this responsibly, to manage our balance sheet in light of risks to cash generation coming in the future from our US Ligado contract and other programmes which were in process. In addition, we needed to accommodate the ongoing capital investment requirements of the business, driven by our Global Xpress growth. We also wanted to ensure that our shareholders continued to be appropriately rewarded through a stable, albeit reduced, level of annual dividend payments.

Secondly, our Maritime business continues to see pressure due to the ongoing recession in the commercial shipping industry, as well as increased competition in the mid-market segment, where we have by and large maintained market share in recent years, However, these dynamics have negatively affected pricing and cash flow overall.

Thirdly, investors are concerned about the overall telecoms sector, due to regulatory, technological and competitive risks, as well as continued significant investment in infrastructure, combined with a slowing growth profile across the sector.

Within the telecoms sector, some concerns remain about overcapacity in the global commercial satellite sub-sector, particularly in structurally challenged services, including fixed video and telecoms. While these are markets in which Inmarsat does not generally operate, as we are focused on mobility services, our share price tends to track those of the fixed operators, which are directly impacted by these market forces.

Fourthly, our Global Xpress constellation remains at an early stage of development, as Rupert outlines in detail in his review. Therefore, while significant investment has been made, particularly in the newly emerging IFC segment in Commercial Aviation, Inmarsat needs to demonstrate to shareholders its potential for profitability and cashflow generation, as our position in the market develops over time.

Proposed takeover offer from EchoStar rejected

As a publicly listed company, Inmarsat is open and committed to exploring opportunities to create value for shareholders. When approached by EchoStar during the course of 2018, we responsibly considered their conditional proposal in light of Inmarsat's stand-alone risk adjusted prospects and concluded it was not in the interests of our shareholders. We believe that the commercial satellite sector is likely to see consolidation in the future and management and the Board remain open to consider strategic options which would enhance our shareholder returns.

Aviation growth accelerating and opportunity is significant, but profit opportunity needs to be demonstrated

Inmarsat continues to build a significant order book for installations of both Global Xpress and with growing interest in our new European Aviation network. Installations are occurring at an accelerating pace. This is happening in Commercial Aviation, Government Aviation and in the Business Jets markets. We believe that we have a market leading service to deliver Wi-Fi on aircraft globally. However, since this is a market for a new improved service, investors are rightly questioning its future potential to generate profits and cash flow. While Inmarsat continues to build its market share and invests to support this, it must also demonstrate to shareholders that the investment will pay off. We understand this and intend to begin demonstrating the financial performance to investors as the various segments stabilise and bed in.

Board evolution and performance assessment

Inmarsat continues to evolve our Board membership to maintain a capable diverse Group that contributes to our strategic thinking, maintains high standards in our reporting integrity, meets governance standards and challenges management regularly and appropriately. We are delighted to welcome Tracy Clarke as a new director in 2019. Tracy's biography is included on page 63 and the criteria used for her selection on page 73. We welcome her global management experience, working in emerging markets, plus her previous Board experience and Remuneration Committee knowledge which will enhance our capabilities as a Board.

Board evolution is an ongoing process. Guidelines have changed during the course of 2018. One area of change is in the tenure of Chairs for UK listed companies. Inmarsat is aware of this and during the course of 2019 will engage, through the Nominations Committee, to determine the optimal way to address this for the Company.

We would also like to pay our respects to a former Director, Kathleen Flaherty, who sadly passed away this past year.

This year we had an external assessment of Board performance conducted by an independent third party. See page 73 in the report on Corporate Governance for more detail. Overall the conclusion was that the Board continues to operate effectively and appropriately and challenges management to ensure thorough debate and consideration on issues of significance. Areas for improvement are shown in the Corporate Governance Report.

Significant remuneration policy changes proposed in light of 2018 shareholder vote

On the back of both the dividend reduction and the share price decline, we received a second negative vote on our Annual Remuneration Report. As a result, we consulted with shareholders during the course of 2018 and in early 2019 to determine their specific concerns and to address them. As a direct result of these consultations, we are proposing a set of significant changes to update our remuneration policy and take on board comments from shareholders. In addition, we have recognised the ability of the Board, through the Remuneration Committee, to exercise its discretion to ensure that the payout outcomes are in line with shareholder experience. Details of these changes are contained in the Remuneration Report on page 81.

As Remuneration norms and standards change in the future, we will endeavour to make regular changes to meet investors' needs, as well as the needs of the Company to motivate and retain top quality talent.

Our core values

We ARE Inmarsat – with a core set of values that guide and shape the way we work, behave and respect each other:

Accountability
We take ownership, get results and deliver on our promises to our customers and each other.

Respect
We collaborate, embrace diversity and value differences.

Excellence
We create bold solutions for our customers. Quality is at the heart of everything we do.

Chairman's statement continued

Board oversight of management's Company culture development

Inmarsat's culture has been driven from the beginning of our creation, to serve the world by delivering highly reliable communications day in and day out, because our customers depend on us, often for their lives. This is a commitment that is embedded in our culture and is shown on the previous page in the values of Accountability, Respect and Excellence. Beyond this management has engaged in numerous programmes to ensure we are both in a good place to work and responsible corporate citizens in the ever-changing social environment in which we operate. This shows itself in our employees training programmes and in our diversity and development programmes. We have active networks for women in Inmarsat and a LGBT group. We have recently launched our Global Advisory Workforce Panel in response to the FCA workforce/Board engagement regulations. In addition we work closely with Télécoms Sans Frontières ('TSF') and International Telecommunication Union ('ITU')/UN agencies to support humanitarian aid at the time of disasters globally. Management continues to improve and evolve the way we efficiently and responsibly operate as our business moves forward. The Board will remain engaged in an oversight capacity to ensure this continues.

Thank you for our 40th year

Throughout our heritage, as we enter our 40th year, we have served those in need of critically important communications, often where there is no other means available. This remains a very strong purpose for us now and in the future. Through our maritime safety systems recognised by the International Maritime Organization ('IMO') and our close work with the International Mobile Satellite Organization ('IMSO') and in aviation, the International Civil Aviation Organisation ('ICAO'), to the ongoing support we give to TSF for their work in responding to disaster relief and the work they do in disaster areas, our commitment remains to public service alongside our commercial activities.

The Board is humbly proud of what Inmarsat offers as a commercial business, as well as the public service it provides to countless users in time of need.

I would like to thank our staff for their considerable hard work and commitment to supporting Inmarsat's business. We cannot do this alone and our distributors, customers, manufacturers and wider ecosystem all play a significant role in our combined success. Thank you too to our shareholders, many of whom have been so since our IPO in 2005. We thank you for your ongoing support of our business.

ANDREW SUKAWATY
CHAIRMAN

18 March 2019

Chief Executive's strategic review

A year of building momentum

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

5.3%
Increase in revenue

$251m
Global Xpress revenue

In 2018, we started to capitalise on the strong platform for future growth built across our business

During the course of the year, we delivered consistent profitable revenue growth, supported by our diversified growth portfolio, through a combination of our robust foundation of established L-band services and our new, higher growth broadband GX services, revenues for which grew by around 85%, particularly in the In-flight Connectivity ('IFC') segment in Aviation. This growth was delivered in spite of an intensifying competitive environment in the mid-market in Maritime which, given the relative weighting of Maritime in our revenue base, continues to be an important driver of investor sentiment and, consequently, our share price.

Our revenue growth of 5% for the year was again supported by a focus on operational leverage through a carefully controlled cost base, with EBITDA growing by 4%, and an infrastructure capital investment programme that is expected to meaningfully moderate from the start of the next decade. These factors will help us to drive free cash flow growth, in line with our revenue growth, over the medium to long-term.

Further operational progress made across our Business Units
We made further progress in leveraging our networks across each of our Business Units in 2018, evidenced by our delivery against a number of strategic proof points:

- In Maritime, there were further market share gains in the fast-growing, high value VSAT segment, with our installed base of vessels using our new Fleet Xpress product more than doubling during the year. In the mid-market we continue to work hard to ensure that as many as possible of our FleetBroadband customers migrate to VSAT with Fleet Xpress. This customer migration had an impact on FleetBroadband revenues in 2018
- In Government, we made continued progress in building our long-term contracted revenue base and in diversifying our business by geography, by customer, by product and by service. Our US Government business again exceeded expectations, driven by further product enhancements and as a result of our burgeoning customer relationships

Chief Executive's strategic review
continued

- Aviation was a key growth driver, delivering over 40% revenue growth during the year. Our installed base of aircraft which will use our services for IFC more than doubled, of which over 100 aircraft have now entered commercial service, using GX Aviation to provide passenger connectivity services. We also signed a landmark agreement with Panasonic Avionics which, over the medium to long-term, is expected to be a game-changing agreement for both businesses in this fast-growing sector. Combined, our GX and EAN Aviation IFC services now have around 1,580 aircraft under contract, as well as an additional 450 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. Our Core Aviation business also delivered another strong performance, supported by product enhancements and upgrades, as well as increased customer usage
- Our Enterprise business performed well to optimise the revenue generation of our legacy products, growth from which is being constrained by expanding cellular network coverage. However, the major long-term growth opportunity for Enterprise is in those Industrial Internet of Things ('IIoT') sectors where satellite services have a material role to play, with 2018 being a year in which we achieved important traction in the development of managed service offerings, with several trials and 'proof-of-concept' projects completed, ensuring that we are confident of scaling this business in 2019

These performances helped to drive consistent top line and bottom line growth in 2018, reflecting the strength of our diversified growth portfolio, with a solid foundation of a specialisation in satellite mobility services, market incumbency, differentiated capabilities and technology leadership.

Continued development of our future technology roadmap

Inmarsat's technology leadership position has been built over a period of 40 years through our ability to maintain and develop our global networks as differentiated offerings with capabilities that keep us highly competitive in a dynamic market environment. We continued to develop this position in 2018.

In L-band, in collaboration with our manufacturing partner, we made further progress in our preparation for the launch and entry into commercial service of the first two satellites in our Inmarsat-6 fleet at the start of the next decade, timed to launch as the first two satellites in our Inmarsat-4 fleet approach the end of their design lives. The transition from our Inmarsat-4 fleet to our new Inmarsat-6 fleet in the 2021-22 time frame will not only materially extend the life expectancy of our legacy L-band services but will also deliver a significant network capacity and service capability upgrade to support both the launch of new and differentiated L-band services as well as future revenue and demand growth, as we continue to support our customers' connectivity requirements.

With this development of our core L-band network, we expect to leap-frog the competitive offerings that are due to arrive in the coming years, but which we believe will offer lower levels of service performance compared to the inherent capabilities of our Inmarsat-6 satellites. This puts us in a position to deliver the fastest, highest capacity, most agile and best-value services to the lowest cost and smallest form factor terminals by the start of the next decade. This will help us to maintain a solid platform for the continued relevance of L-band services over the medium and long term.

2018 also saw us finalise our long-term technology roadmap in the fast-growing area of mobile broadband. This is particularly important for the future prospects of the business, given the significant expected growth in demand from our customers for broadband connectivity services on the move.

The development of our Global Xpress broadband satellite network is taking place over three phases, as we go from design and initial infrastructure investment, to market capture, and then into long-term growth.

During the first phase, from 2010 to 2017, the first four GX satellites were designed, built, launched and deployed, creating the world's first seamless global high throughput satellite constellation, within-orbit redundancy.

The second phase, completed last year, focused on global commercial service introduction of an array of different GX services into each of our key target markets (maritime, government, aviation and enterprise) and initial revenue generation. In 2018, GX-generated airtime and related revenue was over $250m, up 85% from 2017, highlighting the value and growth that GX already is delivering for our business. We remain on track to achieve our target of an annual run rate of $500m of GX revenues by the end of 2020, five years after global commercial service introduction.

In this second phase, we also started to prepare for the future development of the GX network, to meet burgeoning customer demand and to continue to build market share in our chosen markets, with follow-on capacity designed and procured with a fifth GX satellite and two Ka-band secondary payloads on our first two Inmarsat-6 satellites. Importantly, each of these follow-on GX capabilities is targeted and regional in coverage, focused on areas of greatest customer demand and brings significant capacity and capability augmentation, at much lower cost per bit compared to the first phase of the GX network creation.

By the end of 2018, we had started the third phase in our GX network strategy, as we now look to further augment our GX network through new, agile, lower cost technologies. In the coming years, this next generation GX programme will ensure we have the pace, agility and continuous innovation to ensure we can react to market demand or new competitive pressures in much shorter time periods and in a highly efficient manner, adopting disruptive new technologies on a

> "Our solid operational progress supported the Group in delivering revenue growth of over 5% for the year"

rolling basis to deliver very high relative returns on investment through low cost procurements and high satellite fill factors. With a lower absolute cost and much higher capacity that can be deployed with exceptional precision, these satellites will ensure that we can meaningfully moderate our annual infrastructure capex while still meeting rapid growth in customer bandwidth demand. Ultimately, this will enable us to be a leader in usable cost per bit delivered into space.

2018 saw us make good progress in developing this next generation of GX, with initial scoping and design work completed. Discussions continue with a number of potential manufacturing partners about delivering this technology, and we will provide more details about our plans in this area in 2019.

Inmarsat's diversified growth portfolio ensures we remain well positioned for the future

Supported by this technology leadership position, as well as our solid foundation of incumbency and differentiated capabilities, Inmarsat continues to manage a diverse growth portfolio of businesses and products that are, in aggregate, expected to deliver growth, with the portfolio mix expected to continue to evolve as individual markets fluctuate over the medium term. This diversified growth portfolio, with a focused set of attractive end markets that offer scale and growth potential, and where we lead with sustainable differentiation, will remain a key strength for Inmarsat going forward.

Consequently, we aim to continue delivering consistent growth in Maritime, Government, Aviation and Enterprise from our long-established L-band services, with higher growth to come from the delivery of new GX services to customers in these markets. Furthermore, we expect to generate significant growth from our delivery of broadband services to the fast-growing and substantial IFC segment in commercial aviation. Our progress in each of these areas was evidenced by our performance in 2018, as this report sets out in detail later on in the individual business unit updates.

Landmark collaboration agreement with Panasonic

During the year, we entered a strategic collaboration agreement with Panasonic Avionics Corporation ('Panasonic') in Commercial Aviation, for an initial ten-year period. The agreement combines our complementary market leading services to offer broadband in-flight connectivity ('IFC') paired with high-value solutions and services to customers in commercial aviation. The agreement enables airlines, aircraft manufacturers and passengers to benefit from the combined expertise of two companies that have been at the forefront of technology and innovation for nearly four decades.

This landmark agreement is clear evidence of Inmarsat delivering on its strategy and it strengthens our conviction that, building upon the success of the global GX network, aviation will be a significant growth driver of our overall business.

We look forward to working closely with Panasonic as we develop our relationship with them and accelerate our respective innovation roadmaps. This will ensure that we continue to provide airlines and passengers with the world's leading IFC experience.

Ian Dawkins, SVP Global Network Operations at PAC and CEO of ITC Global, and **Phil Balaam**, President, Inmarsat Aviation celebrate the collaboration agreement

Chief Executive's strategic review
continued

We also have a number of incremental growth opportunities available over the medium to long term. These include delivering major strategic projects for Government customers, growing dedicated regional businesses in hitherto untapped geographies, leveraging our digital services capabilities and increasing our presence in IIoT.

Our growth profile remains supported by our established market presence, our differentiated capabilities, our technology leadership, our specialisation in delivering satellite mobility services and our market-leading distribution channel.

A consistent and clear strategic direction

Inmarsat therefore remains well positioned to access the significant market opportunity created by continued growth in the use of data at sea, in the air and across remote areas. This will be supported by a consistent, and unchanged, strategic ambition to be an 'enabler for the connected world', more details of which can be found on the following pages. Anywhere in the world, Inmarsat connects customers to a better future, and our strategy continues to be based on the following priorities:

- Capturing the maximum number of high speed broadband platforms
- Positioning our L-band services for new growth
- Establishing our digital platform and business
- Creating a high-performance organisation and
- Transforming our operating environment

Based on our future delivery against these strategic objectives, we remain confident in the growth outlook for Inmarsat, based on the positive market outlook in mobile satellite communications and our strong position within it.

Building on the strong operational momentum achieved in recent years, evidenced by our market share gains in different segments across our Business Units in 2018, our priorities are to deliver further revenue growth from material new GX revenue streams. Our L-band business will remain resilient over the medium to long-term, given its differentiated characteristics, with future growth expected to be generated from the emergence of new market opportunities and next generation safety services across our chosen end markets.

We continue to target mid-single digit percentage revenue growth* on average over the next five years, from 2018 to 2022, with EBITDA* and free cash flow generation* expected to steadily improve as a result of the combined impact of this growing revenue base, an improved revenue mix, tightly managed overhead costs, completion of the I-6 satellite programme and the impact of new technologies. These last two elements will drive a meaningful moderation in our annual infrastructure capex from the start of the next decade.

Finally, I would like to thank our employees for their on-going hard work and efforts to drive the business forward, as well as our partners, customers, shareholders and other major stakeholders for their continued support during 2018.

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

18 March 2019

> Our revenue growth was again supported by a focus on operational leverage through a carefully controlled cost base and an infrastructure capital investment programme that is expected to meaningfully moderate from the start of the next decade

*Excluding Ligado Networks

Market trends

The satellite communications industry continues to be driven by several major market trends, which are expected to impact Inmarsat and other satellite operators in the future

Demand outlook: continued requirement for satellite connectivity

Customer requirements for broadband satellite connectivity are expected to continue to grow, particularly for mobility-based applications, at sea, on land and in the air. In addition, a growing range of applications is emerging, predominantly in the area of 'Industrial Internet of Things' ('IIoT'), to drive demand for lower bandwidth connectivity services.

The growing demand for broadband satellite connectivity will be driven by data-rich applications and an increase in the number of connected devices. This is creating significant growth opportunities in the area of mobility, where satellite connectivity is often the only solution, given the absence of terrestrial network coverage.

In Maritime, the growth potential of broadband services, referred to as VSAT, remains strong across all market segments, including merchant shipping, leisure, fishing and off-shore. These segments are serviced by operators and distributors of broadband satellite connectivity, particularly in the relatively high frequency Ka-band, which Inmarsat operates in, and Ku-band spectrum bands. Euroconsult estimates that over 50% of maritime VSAT capacity demand will be for Ka-band services by 2023, outpacing Ku-band satellite capacity demand, and growing at a CAGR of 35% between 2017 and 2027. The increasing demand for broadband connectivity in Maritime is driven by a commercial requirement for value-added data services to help improve a vessel's operating environment, as well as a need for higher bandwidth to service a vessel's crew, as they access basic applications in their everyday lives, like internet access and 'Voice-over-Internet Protocol' video calls.

Government spend on satellite communications, particularly for secure, high-bandwidth connectivity to and from airborne and seaborne platforms is also expected to grow significantly in the future. Government customers are augmenting their proprietary military communications systems with fungible commercial satellite capabilities as they face increasing requirements to support applications such as communications on-the-move ('COTM') and Airborne Intelligence, Surveillance and Reconnaissance ('AISR'), which drive demand for ubiquitous, consistent coverage, and high performance global satellite services.

In Aviation, cabin connectivity, both in the Business and Commercial Aviation segments, is seeing rapid adoption by airlines and an increasing usage by passengers, as airlines are starting to explore the opportunities and advantages of the connected aircraft. Passenger demand as well as connected aircraft services will drive future bandwidth requirements per aircraft and lead to a continued increase in the number of aircraft using connectivity services.

Aside from broadband, there is also expected to be growth in L-band satellite services in certain niche segments, particularly in the area of IIoT. Euroconsult is forecasting the number of active satellite IoT devices to increase from 3.5 million in 2017 to nearly 11 million by 2026. L-band offers differentiated utility for applications in this area, which requires small form factors and high resilience capabilities. The development of small and lower cost satellite IoT terminals in the future will unlock demand for this connectivity and enable new user applications in this exciting, emerging growth market over the long term.

Supply outlook: rapidly evolving dynamics

From a supply perspective, much of the swathes of capacity that were previously expected to come on-line in the coming years, mainly focused on land-based communication services such as consumer broadband in rural areas or GSM backhaul, remains highly uncertain and at a minimum will likely see substantial delays compared to initially targeted service dates. In particular for new broadband NGSO constellation projects significant hurdles remain, including:

- Gaining key regulatory clearances
- Organising spectrum coordination with regulators and other operators
- Achieving Global market access through distribution partnerships
- Nurturing on-going relationships with key commercial launch partners
- Building relationships with key suppliers to develop terminals and equipment
- Significant investment required, particularly on ground infrastructure
- Addressing issues of space debris and de-orbiting requirements

While all global LEO and MEO constellations would be covering the oceans, most of them are built for land based applications and not configured for mobility which will leave them with large amounts of their capacity stranded in areas of low demand and ultimately make them uncompetitive with future GEO satellites in terms of capacity cost and capacity available in demand hot spots.

This will lead to a situation where, despite potential significant new capacity supply coming in the market, global mobility markets will require substantial amounts of new targeted, mobility-based, capacity to service a number of significant future hotspots of demand, in particular for customers in the In-Flight Connectivity segment in Commercial Aviation.

Implications for satellite operators

These dynamics bring challenges and opportunities for satellite operators, which will constantly need to innovate, evolve and adapt, to support efforts in capturing market share in high growth segments, particularly mobility.

Satellite operators are changing their business models to move from selling pure capacity to marketing solutions and services. With a prospect of global aggregate overcapacity and partial capacity shortage in demand hotspots, future satellites are also being increasingly developed with flexible payloads, enabling coverage in areas with highest demand rather than wasting supply over low-demand regions.

The increasing role of satellite in the wider connectivity landscape should create more opportunities for satellite operators. For mobility markets in particular, Inmarsat is extremely well positioned to capture a large part of the future growth given our:

- Dedicated focus on mobility satcom markets
- Established global market presence across all key mobility markets
- Differentiated capabilities in end-to-end network management services to our customers
- Technology leadership with best-in-class networks
- Valuable global spectrum assets
- Market-leading distribution channels

Our strategy

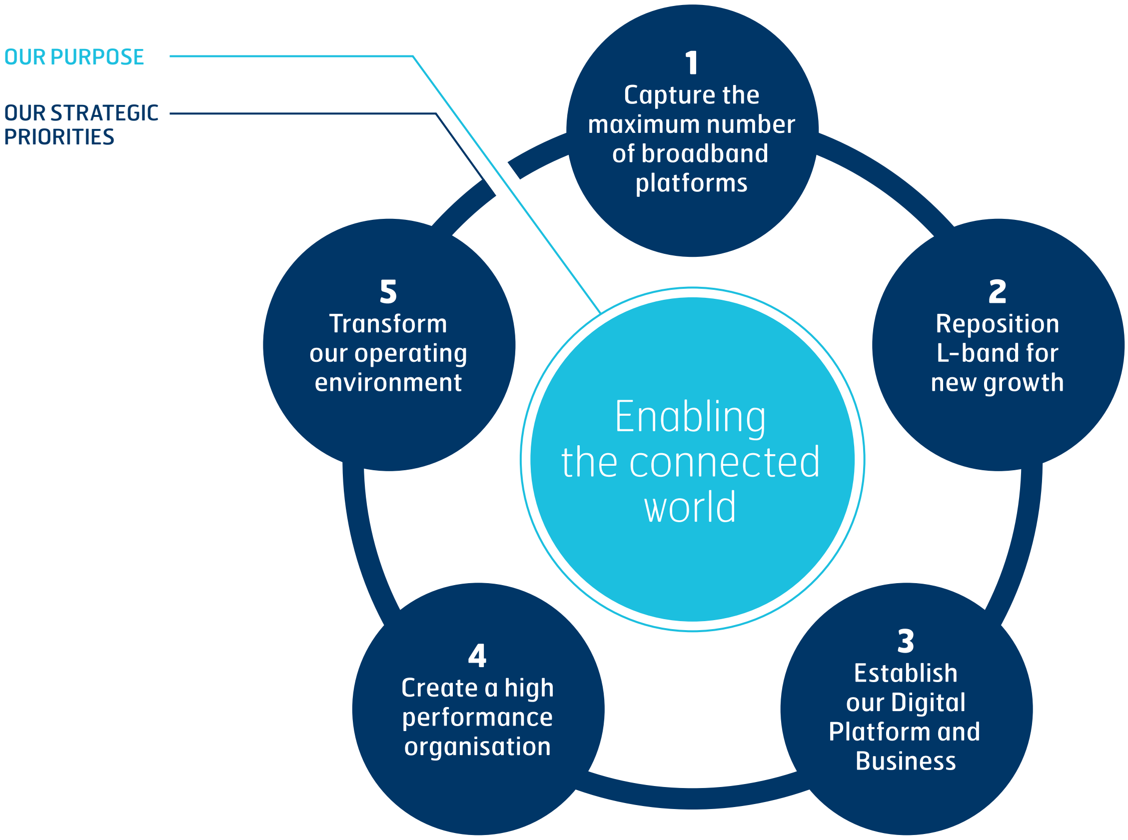
Enabling the connected world

Our strategy remains focused on delivering on our purpose of 'enabling the connected world' by meeting the remote and mobile connectivity requirements of our customers, reliably, securely and globally

Our strategy is founded on our continued drive to pioneer innovation in mobile satellite communications services, to ensure we deliver higher data rates to increasingly smaller and lighter mobile terminals. Our seamless global coverage and market-leading consistency in network reliability remains attractive to commercial and government users, whose operations require mission and business critical communications support.

Looking ahead, inherent in our purpose is an ambition to develop from being a mobile satellite communications operator to becoming a powerful, proactive digital enabler operating diversified networks and platforms across which we deliver highly-integrated, value-added digital solutions and services to our target markets and customers. By focusing on becoming an 'enabler for the connected world', we will be at the forefront of supporting our customers, as their requirements for higher levels of secure and reliable bandwidth, on a global basis, continues in the future.

Our strategic vision



We will achieve our strategic priorities by	Defining connectivity at sea	Defining the connected aircraft	Solving our customers' hardest connectivity challenges	Becoming the leading IoT connectivity partner

	STRATEGIC PRIORITIES	PROGRESS IN 2018 – KEY HIGHLIGHTS
1 Capture the maximum number of broadband platforms	› Maintain a market-leading position in our mid-market merchant maritime heartland with Fleet Xpress ('FX') › Expand GX into high-end maritime VSAT markets › Maintain our BGA heartland position with JetConneX ('JX') › Become the leading player in global IFC, with GX and EAN › Become the leading provider of Comsatcoms and MilSatComs to government › Establish a strong position in the energy satcoms market	› GX generated revenue of $250.9m in 2018 (2017: $135.9m) › FX installed on over 5,375 vessels at end of 2018 (2017: 2,600) › JX installed on 428 aircraft in 2018 (2017: 165), generating revenue of $22.0m (2017: $4.4m) › Around 1,580 aircraft under signed contract for IFC services with GX, including 452 aircraft installed with GX and EAN terminals of which over 100 are in service on GX › Growth of U.S. Government business supported by contract with Boeing, as exclusive provider of GX milsatcoms to U.S. Government
2 Re-position L-band for new growth	› Manage the future trajectory of legacy L-band services › Drive Fleet One into new scaled maritime markets › Extend Fleetbroadband ('FB') into GMDSS compliance › Drive SwiftBroadband-Safety into new high-growth aviation markets › Become the leading satellite player in global IoT markets	› L-band connectivity continues to contribute a significant portion of Inmarsat's revenue base › Fleet One now installed on over 4,000+ vessels (2017: 3,000+) › FB now GMDSS compliant › Launch of SwiftBroadband-Safety › Further development of M2M initiatives around IoT opportunities
3 Establish our digital platform and business	› Digitise and virtualise our networks and service offerings › Launch a variety of digital products › Establish our end-to-end digital services platform › Develop compelling tools and value adds on our platform › Grow a Global Certified Application Partner ecosystem › Innovate around digital business models and partnerships › Establish a position around big data, information and AI	› Recently established Product Group made progress in driving digitisation and digital product development › Product delivery priorities embedded in each part of the business › On-going development of a long-term product and digital roadmap › Product portfolio optimised to ensure focused investment in key areas
4 Create a high-performance organisation	› Develop strategic resourcing plans to enable access to the requisite skills › Attract and retain the best people via a compelling employee value proposition › Deliver excellence on talent management, career development and performance management › Align reward and recognition to support high-performance › Invigorate and embed our culture and values	› Strategic resourcing plans rolled out for each part of the business › Employee value proposition launched › Talent management and career development programmes launched › New reward and recognition processes designed and implemented › Significant progress made in embedding a refreshed culture and values across the organisation
5 Transform our operating environment	› Deliver best-in-class satellite and network operations › Implement enabling, light-touch core processes › Support with modern, work-aligned IT systems › Deliver best-in-class service delivery, assurance and support › Align our global locations with our growth potential › Manage-out legacy proactively to intensify focus of resources on growth › Enhance project management capability › Continue our investment in modern, agile and collaborative working environments	› 99.9% service availability continued to be delivered by our L-band networks › Further progress in scaling GX services whilst enhancing stability › On-going efforts to optimise operating footprint, assure service resilience and reduce legacy systems & services › 24/7 cyber operations further improved › Continued development of 'One IT' programme, driving technology efficiency across the organisation

Measuring our progress

We measure progress towards our strategic vision using both financial and non-financial key performance indicators and robust risk management. These measures help us maintain a regular check against major milestones within each of our strategic priorities allowing us to flex and adjust as required to improve delivery and execution.

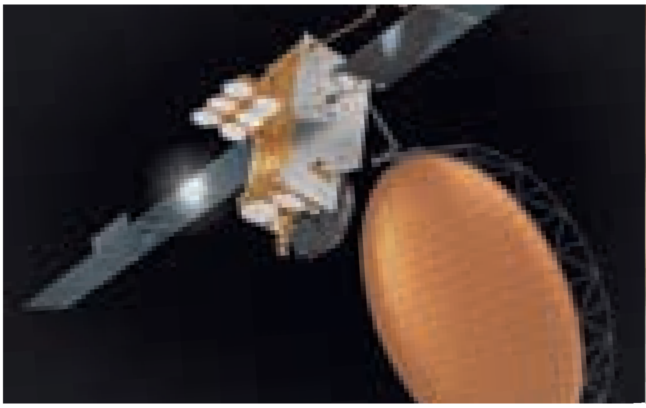
Key performance indicators
Page 18
Our principal risks and uncertainties
Page 53

Our business model

Placing our customers at the centre of everything we do

Gaining competitive advantage through our corporate responsibility and our people

Our competitive advantage comes from our networks, our innovative technology, the expertise of our people and the strength and breadth of our partnership ecosystem



Market leading networks

L-BAND
Our resilient L-band networks, based on our Inmarsat-3 and Inmarsat-4 satellite constellations, will continue to support the evolving mobile communications requirements in our key customer segments.

Our new Inmarsat-6 satellites will support our growth ambitions.

DUAL PAYLOAD
The Inmarsat-6 satellites comprise two dual payload (L-band and Ka-band) satellites due to be launched at the start of the next decade. This will ensure the reorientation of our L-band capabilities towards new growth opportunities, as well as providing additional capacity to the existing GX network.

KA-BAND
Global Xpress ('GX'), based on our 4 Inmarsat-5 satellites currently in orbit, is the world's first global, mobile, high bandwidth network, designed to support our customers' high bandwidth connectivity requirements. GX5 is planned for launch in 2019.

S-BAND
The integrated S-band satellite and air-to-ground network, the EAN, will be a compelling and unique proposition for commercial aviation customers in Europe.

Supported by:

OUR TECHNOLOGY
We continue to invest in innovation to deliver market-winning solutions to our customers and differentiate our propositions.

BEST-IN-CLASS PARTNER ECOSYSTEM
Our relationships with our partners, from suppliers to distributors, help us to strengthen our service offering.

HIGHLY SKILLED WORKFORCE
Our people have the skills, competencies and experience to deliver our business objectives and create value. Our culture and values are focused on innovation and performance excellence.

OUR FINANCIAL RESOURCES
We use our balance sheet to support the organic and inorganic investment needed to deliver our strategic imperatives.

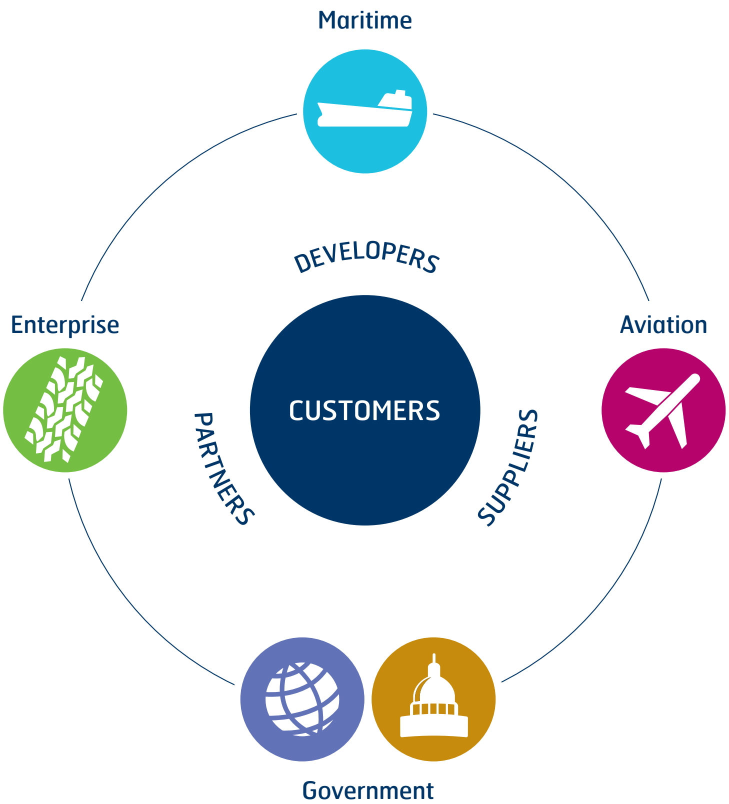
Corporate social responsibility
Page 42

Our people
Page 49

Our value chain

By operating global satellite networks and fully optimised ground infrastructure networks, supported by market-leading distribution partnerships, we provide our customers with global coverage to any device

Our products, services and solutions enable our customers to operate safely, securely and efficiently and to deliver innovative communications services to their users across our four customer-focused business segments.



Business overview
Page 20

Our revenue streams

Our four business units, Maritime, Government, Aviation and Enterprise, are our interfaces with our customers and drive the Group's revenue.

Delivering value for our stakeholders

We are committed to creating and delivering sustained value for all our stakeholders

Shareholders and bondholders

We aim to drive profitable growth to help deliver value for our shareholders and bondholders.

Customers and partners

We focus on the key drivers of value for our partners and customers such as security, reliability and seamless delivery with global coverage and mobility.

Employees

We have a strong culture, underpinned by our values and our commitment to diversity, and we are focused on our employees' career development, making internal promotions where possible.

Communities

We are proud of our public service ethos and the part we play in ensuring the safety of the public and particularly the maritime community.

Key Performance Indicators

Measuring success against our key strategic priorities

Financial KPIs

REVENUE

Total Group revenue generated from operations including Ligado Networks.

Why it is important

Revenue growth validates our business model, by demonstrating our ability to develop our customer base and increase ARPU across our product portfolio.

1 2

$1,465.2m ↑5.3%

2018	$1,465.2m
2017*	$1,391.7m
2016*	$1,314.1m

Link to risks and remuneration

The achievement of this KPI depends on successful execution of all our strategic priorities and minimisation of the majority of our risks. Incentive plans include revenue as a performance metric so this will be measured to determine incentive plan payments.

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.

Why it is important

Cash capex indicates our continued investment in growth and development of our network and infrastructure, as well as our investment in the future technologies of the business.

1 2 3 5

$590.7m ↓3.8%

2018	$590.7m
2017*	$614.1m
2016*	$419.8m

Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and careful management of risks. Incentive plans include financial metrics as performance metrics so this KPI will contribute to determining incentive plan payments.

EBITDA

EBITDA is total Group profit before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates.

Why it is important

EBITDA is a commonly used industry term to help our shareholders understand contributions made by our business units. It reflects how the effect of growing revenues and cost management deliver value for our shareholders.

1 2 3 5

$770.1m ↑4.2%

2018	$770.1m
2017*	$739.3m
2016*	$785.6m

Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and minimisation of all our principal risks. Incentive plans include EBITDA as one of the financial performance metrics so it will be measured as a basis for incentive plan payments.

GX REVENUE

Revenue generated from the sale of airtime and other related services on the Global Xpress network.

Why it is important

Growth in GX revenue demonstrates our ability to transition our customer base and attract new customers to a higher bandwidth, higher value platform, thereby ensuring we develop our customer relationships and deliver value for our shareholders. We have previously declared a target of $500m of GX revenues by the end of 2020.

1 3 5

$250.9m ↑84.6%

2018	$250.9m
2017*	$135.9m
2016*	$76.9m

Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and minimisation particularly of certain risks. Incentive plans include GX revenue and delivery either incorporated within the overall revenue target or within the performance share plan strategic objective metric.

ADJUSTED EPS

Adjusted Group 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).

Why it is important

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.

1 2 5

$0.32 per share ↓23.8%

2018	$0.32
2017*	$0.42
2016*	$0.63

Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and minimisation of the majority of our principal risks. Incentive plans include financial metrics as performance metrics so this KPI will contribute to determining incentive plan payments.

*Restated for IFRS 15

Non-financial KPIs

NETWORK AVAILABILITY

99.9%

2018	99.9%
2017	99.9%
2016	99.9%

Ongoing investment in our space and ground infrastructure ensures that customers are supported by an overall 99.9% availability in each of our GX and L-band networks. We meet the GMDSS requirements set by the International Maritime Organization for safety services.

Why it is important

Ensuring our network is available and reliable is essential in providing the required quality of service to our customers. This reliability is critical for safety at sea and aviation cockpit services.

1 2 5

Link to risks and remuneration

The risks for this KPI are specifically numbers 4, 5 and 10. Incentive plans have this KPI indirectly linked to all the financial metrics as without this KPI meeting the required reliability levels, our financial targets can be affected.

EMISSIONS

8,605tCO₂e ↓27%†

2018	8,605 tCO_2e
2017*	9,857 tCO_2e
2016*	11,724 tCO_2e

We set an interim target to reduce Scope 1 and 2 emissions (market based) by 20% by 2018 compared to 2016. We are currently undergoing a Scope 3 screening exercise with the aim to set a science-based emissions reduction target.

Why it is important

Although the direct activities of the Group are judged to have a low environmental impact, we understand that, unless urgent action is taken to limit global temperatures to 2C (35.6F) above pre-industrial levels, climate change presents significant and systemic risks.

4 5

Link to risks and remuneration

The achievement of this KPI is linked to our corporate responsibility to reduce global greenhouse gas emissions and avoid the worst effects of climate change. This KPI is included within bonus objectives for relevant staff.

†Absolute Scope 1 and 2 emissions

EMPLOYEE TURNOVER

12.6%

2018	12.6%
2017	9.7%
2016	8.4%

Voluntary employee turnover is calculated as the number of voluntary leavers in a year (permanent employees) divided by the average headcount during the year.

Why it is important

Some level of turnover is healthy to enable a refresh of our skills base and create new opportunities for our people to progress. However, keeping it at a reasonable level is important to sustain engagement, retain key skills and knowledge and avoid unnecessary disruption and recruitment costs.

4

Link to risks and remuneration

The risk for this KPI is specifically number 13, however employee performance affects multiple other risks. One of our priority areas is a focus on Inmarsat as a high-performing Company and this will be part of individual incentive objectives as well as part of the LTIP objectives for the CEO and his team.

EMPLOYEE ENGAGEMENT

7.6/10

2018	7.6
2017	7.4

Employee engagement describes an employee's level of commitment and enthusiasm to their work and their company.

Why it is important

It is important as higher levels of employee engagement have been proven to positively impact business performance.

4

Link to risks and remuneration

The achievement of high levels of employee engagement will contribute to our drive for a high-performance organisation and therefore underpins the delivery of all our strategic priorities. Many of our risks are affected if we do not have engaged staff. There are specific objectives in short and long-term incentive plans to measure this KPI.

Our KPIs are fundamentally connected with our key strategic priorities, and therefore help us to measure our success in delivering these priorities.

1. Capture the maximum number of broadband platforms
2. Reposition L-band for new growth
3. Establish our digital platform and business
4. Create a high-performing organisation
5. Transform our operating environment

Our strategy
Page 14

Our principal risks and uncertainties
Page 53

Remuneration report
Page 81

Business overview
MARITIME

CONNECTIVITY AT EVERY STAGE

From shipping vessel to shopping basket, we're helping revolutionise the maritime ecosystem

Digitalisation remains the key driver of satellite connectivity in Maritime
Customers are using data services and digital platforms to drive the efficiency of their operating environments and to deliver internet-based applications for their crew.

Discover more at inmarsat.com

"The adoption of Fleet Xpress across the globe indicates that it has become the key platform for converting industry talk into action on digitalisation"

Ronald Spithout
President
Inmarsat Maritime

The VSAT market remains the key growth opportunity for Inmarsat
Increasing customer demand for higher bandwidth is driving the fast-growing VSAT market, which is being driven by vessels migrating from the mature mid-market as well as new builds.

50,000 vessels

In the VSAT market by 2023
(Source: Euroconsult)

Fleet Xpress now has 25% share of the VSAT market
Inmarsat's GX-based VSAT product, Fleet Xpress, which uniquely has our L-band product, FleetBroadband integrated seamlessly within it, now has a 25% market share in VSAT.

Discover more at
inmarsat.com

Business overview
MARITIME

Market overview and 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[1]. 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[1]. 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[1] (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, 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 is estimated to represent over 50% of our FB customers moving to VSAT, with the remainder being customers that moved 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.

Revenue
$552.8m
(2.6%)

EBITDA
$429.0m
(4.0%)

Maritime Business Results

	Year ended 31 December		
	2018 $m	2017 (restated) $m	Change
Revenue	552.8	567.3	(2.6%)
Direct costs	(85.2)	(84.0)	(1.4%)
Gross margin	467.6	483.3	(3.2%)
Indirect costs	(38.6)	(36.3)	(6.3%)
EBITDA	429.0	447.0	(4.0%)
EBITDA margin %	*77.6%*	*78.8%*	–
Cash capex	(54.4)	(45.9)	(18.5%)
Business Unit Operating Cash Flow	374.6	401.1	(6.6%)

PRODUCT PERFORMANCE	Revenue		Number of vessels		Average Revenue per User ('ARPU') per month	
	2018 $m	2017 $m	2018	2017	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

> We delivered consistent double-digit growth in revenues and market share in the fast-growing VSAT segment

2018 Results

Maritime revenue declined by $14.5m, 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, 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, mainly due to timing of marketing spend for the Volvo Ocean Race, which finished in June 2018.

EBITDA declined by $18.0m. EBITDA margin decreased to 77.6% in the year.

Maritime capex increased by $8.5m to $54.4m during the year, reflecting a higher level of customer installations in FX and XL migrations.

There was consistent strong growth in VSAT during 2018, with 21.7% revenue growth in the year. 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. The proportion of new customer FX installations remained high at c. 19% during the year. The XL migration programme is on track for completion by the end of 2019.

> The vast majority of the FB vessels lost over the year moved to VSAT, with over 50% of these migrating to FX

FB revenues fell by 10.8% in 2018, including 15.4% in Q4, with an annual FB vessel decline of 3,739 vessels. The vast majority of the FB vessels lost over the year moved to VSAT, with over 50% of these migrations estimated to have traded 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 3.1% 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.

Equipment revenue, to help drive market share and win new customers, increased by $6.2m to $20.1m. Our other, mainly low margin and legacy products declined by $12.7m, or 17.0%, to $62.1m.

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

Business overview
GOVERNMENT

MISSION CRITICAL

From forecasting weather patterns, to co-ordinating aid relief after the storm

Continued growth expected in Governments' use of commercial satellite connectivity
Mobility communications in the Government segment will be driven by growing customer demand and by certain customers looking to augment their proprietary systems with commercial satellite communications.

Discover more at
inmarsat.com

Inmarsat remains a trusted partner of major global governments
We are becoming more embedded in customer platforms in the U.S. and will continue to diversify and internationalise outside the U.S.

7% growth
In retail revenue for global Government and Military commercial satellite communications, to 2027 (Source: NSR)

“Access to reliable and resilient connectivity is essential for our customers, enabling the constant transmission of data to optimise operations”

Susan Miller
President and CEO
Inmarsat Government, Inc

Todd McDonell
President
Inmarsat Global Government

Business overview
GOVERNMENT

Market overview and 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 (source: NSR), 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 U.S. 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 U.S., we have continued to seek to diversify and internationalise our product portfolio and market presence.

2018 results

In 2018, Government revenue increased by $14.3m, 3.9%, to $381.0m. This performance was driven in particular by our U.S. Government business, which delivered revenue growth of 6.4% in 2018, 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 performance in the U.S. was further bolstered in the last quarter of the year by new leases and increased government expenditure under long term customer contracts.

Outside the U.S., revenues were 1.1% lower in the year. We finished the year relatively well, with revenues up 1.3% in Q4, driven by increased product usage across a number of customers.

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

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

> Further market share gains and incremental penetration in the U.S., while revenues remain robust in other markets

Revenue

$381.0m

+3.9%

EBITDA

$270.2m

+1.9%

Government Business Results

	Year ended 31 December 2018 $m	2017 $m	Change
Revenue	381.0	366.7	3.9%
Direct costs	(66.9)	(54.4)	(23.0%)
Gross margin	**314.1**	312.3	0.6%
Indirect costs	(43.9)	(47.1)	6.8%
EBITDA	**270.2**	265.2	1.9%
EBITDA margin %	*70.9%*	*72.3%*	–
Cash capex	(5.0)	(9.9)	49.5%
Business Unit Operating Cash Flow	**265.2**	255.3	3.9%

Supporting the Spanish Navy in a critical humanitarian mission

The A.O.R. Cantabria, a military supply vessel, which is part of the Spanish Navy's fleet, recently led the successful delivery of 'Operation Sophia', which entailed the rescue of large numbers of migrants stranded in the Mediterranean Sea.

GX connectivity, provided to the Cantabria through Inmarsat's partner, Satlink Spain, enabled the vessel to receive real-time situational information regarding the presence of a number of migrant vessels. The Cantabria was then able to immediately and accurately set course to the zones where the ships were located and then ultimately rescue the stranded migrants.

> "We enabled the vessel to receive real-time situational information regarding the presence of a number of migrant vessels"

Business overview
AVIATION

THE CONNECTED AIRCRAFT

From cockpit to cabin, the future of high-speed In-Flight Connectivity is here

In-Flight Connectivity will be a game-changer for satellite communications in Aviation

Around 23,000 commercial aircraft are expected to be connected by 2027, by when the penetration of IFC solutions in commercial aviation is expected to be over 60% (Source: Euroconsult).

Discover more at
inmarsat.com

"GX Aviation for In-Flight Connectivity is starting to emerge as an important growth driver for our business"

Philip Balaam
President
Inmarsat Aviation

Growth in Business and General Aviation will be driven by more aircraft in service and higher bandwidth per aircraft

The number of connected aircraft in this segment is expected to grow by 5% CAGR to 35,000 by 2027 (Source: Euroconsult).

40.9%

Increase in Inmarsat's Aviation revenue in 2018

Safety and Operational Services will be supported by a new generation of services to the cockpit

Wholesale revenues in this segment are expected to grow by a factor of 4.5x to $900m by 2027 (Source: NSR).

Discover more at inmarsat.com

Business overview
AVIATION

Market overview and 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 (source: Euroconsult).

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. 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 (Source: NSR). Inmarsat is already a leader in this market and we expect to strengthen our market position further through new products and services.

2018 results

Aviation delivered another excellent performance, with revenue growth of $74.3m, 40.9%, to $256.1m in 2018, 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 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.

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.

Revenue
$256.1m
+40.9%

EBITDA
$131.9m
+26.9%

Aviation Business Results

	Year ended 31 December		
	2018 $m	2017 (restated) $m	Change
Revenue	256.1	181.8	40.9%
Direct costs	(56.3)	(12.3)	(357.7%)
Gross margin	**199.8**	169.5	17.9%
Indirect costs	(67.9)	(65.6)	(3.5%)
EBITDA	**131.9**	103.9	26.9%
EBITDA margin %	*51.5%*	*57.2%*	–
Cash capex	(34.8)	(143.8)	75.8%
Business Unit Operating Cash Flow	**97.1**	(39.9)	343.4%

CORE/IFC – FULL YEAR	Year ended 31 December			
	Core		IFC	
	2018 $m	2017 (restated) $m	2018 $m	2017 (restated) $m
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)

“Our business in In-Flight Connectivity was driven by a growing aircraft backlog and stronger market position”

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.

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.

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.

In SOS, Classic Aero delivered revenue growth of $4.0m, or 9.6%, to $45.8m, reflecting more aircraft using the product.

Direct costs in our Core business remained fairly immaterial at $1.2m in 2018, whilst indirect costs increased slightly to $10.2m in the year. EBITDA and Business Unit Operating Cash Flow for the Core Aviation business consequently both grew by $21.7m to $143.4m in the year.

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.

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. A number of customers signed contracts for GX Aviation in 2018 and some customers expanded their initial aircraft and fleet mandates for our IFC services.

“In-Flight Connectivity revenues more than doubled to $101m, including the first GX IFC airtime revenues of $7m”

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, 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 well advanced for the service roll-out of the European Aviation Network, which is expected to take place during H1 2019, following a ‘soft launch’ with our customer in March 2019.

IFC direct costs increased to $55.1m (2017: $11.3m), due to additional short term GX equipment sales and contractual start-up costs. Indirect costs in IFC increased to $57.7m (2017: $55.8m), mainly reflecting an increase in service delivery headcount but also lower marketing expenditure. Cash capex in IFC decreased by $109.0m to $34.8m, reflecting investment in the S-band satellite in the first half of 2017 and lower investment in GX onboard equipment in 2018. IFC EBITDA improved by $6.3m to $(11.5)m. IFC Operating Cash Flow improved significantly reducing the level of start-up investment by $115.3m to $46.3m.

SwiftBroadband-Safety: the next generation of safety and operational services

SwiftBroadband-Safety (‘SB-S’), utilising our L-band network, is Inmarsat’s new global safety service in Aviation.

The service enables the exchange of detailed real-time information between an aircraft and the ground, unlocking new levels of intelligence to help drive decision-making and optimise fleet performance.

The key advantage of the product for airlines is that it drives operational efficiencies through fuel savings, better asset utilisation, the potential to increase capacity and assured safety.

For the industry, SB-S enables global air traffic management modernisation and automation to deal with ever more congested skies.

Business overview
ENTERPRISE

Industrial Internet of Things ('IIoT') is a significant opportunity for satellite operators
In the IIoT market, satellite connectivity will directly serve end users or augment cellular technology in doing so.

Discover more at inmarsat.com

We are focused on delivering end-to-end solutions for a small number of IIoT markets
Mining, agriculture and fisheries, transportation and the global supply chain are key potential growth areas for our solutions and services.

7.6%
Growth in our Machine to Machine revenues in 2018

OPTIMISING OPERATIONS

From field to fork – we're connecting the physical world to the digital world, wherever the location

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"We are re-aligning our Enterprise business unit to ensure we are placed to capture the major long term growth opportunity in IIoT"

Paul Gudonis
President
Inmarsat Enterprise

We continue to seek to stabilise and optimise our legacy product base

Despite increasing competitive pressure from terrestrial coverage, we aim to stabilise our legacy product base and re-orientate them towards back-up, emergency and event-driven usage.

Discover more at
inmarsat.com

Business overview
ENTERPRISE

Market overview and 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 and 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

Enterprise revenues declined by $2.6m or 2.0% in the year, 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.

Satellite phone revenue increased by $9.2m, or 30.0%, to $39.9m in 2018, driven principally by several sizeable handset orders during the year.

Fixed-to-mobile revenues declined by $5.8m to $10.9m, 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. 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 $50.8m 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, 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, mainly as a result of legal costs associated with the RigNet arbitration.

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

> Customer and product foundations to penetrate the emerging global satellite 'Industrial Internet-of-Things' opportunity building steadily

Revenue

$130.0m

(2.0%)

EBITDA

$82.3m

(10.4%)

Enterprise Business Results

	Year ended 31 December		
	2018 $m	2017 $m	Change
Revenue	**130.0**	132.6	(2.0%)
Direct costs	**(26.2)**	(23.4)	(12.0%)
Gross margin	**103.8**	109.2	(4.9%)
Indirect costs	**(21.5)**	(17.3)	(24.3%)
EBITDA	**82.3**	91.9	(10.4%)
EBITDA margin %	***63.3%***	*69.3%*	–
Cash capex	**–**	–	–
Business Unit Operating Cash Flow	**82.3**	91.9	(10.4%)

Delivering reliable connectivity to the aquaculture sector

Aquaculture is one of the fastest-growing food industries in the world, due to a steady increase in consumer demand for fish and the continuing depletion of wild fish stocks. Fish farmers are constantly looking for innovative ways to accelerate the growth of their stocks, which can be achieved by ensuring that sea cages, (large nets attached to floating platforms anchored off-shore), have the optimal level of oxygen.

OXZO, a leading Chilean specialist in oxygen solutions for the salmon farming industry, developed specialist technology to monitor the level of oxygen in the water in sea cages and distribute additional oxygen, if subsequently required. However, as the cages are often many miles away from the shore, it was critical that the oxygenation equipment could be operated and controlled remotely, making constant connectivity essential.

Originally, OXZO equipped the platforms with Ku-band satellite technology. However, constant movement of the platforms, due to ocean swells, resulted in the weather-susceptible Ku-band antennas losing connectivity. The subsequent constant re-alignment of the platforms took up much time and was very costly.

The Inmarsat-based solution

OXZO then engaged Tesacom, a specialist in deploying integrated communication networks in remote environments, to develop a solution that was based on Inmarsat's global L-band satellite network, accessed through a Hughes M2M integrated terminal.

With 99.9% availability, the Inmarsat-based solution delivered constant connectivity and reliable transmission of data from the floating platforms to the company's monitoring centre.

This solution ensured that the oxygen distribution system could be effectively monitored remotely, regardless of conditions, by enabling constant and reliable communication between the control room and the oxygen generation equipment, to ensure full automation of the delivery of oxygen at its floating platforms.

By ensuring an optimal level of oxygen was present in the cages at all times, thereby speeding up the fish cultivation process, OXZO could reduce costs and improve productivity, ensuring the provision of the very best service to its clients.

> "The Inmarsat-based solution delivered constant connectivity and reliable transmission of data from the floating platforms to the company's monitoring centre"

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ENABLING CONNECTIVITY

From managing and operating our networks to helping the business deliver its strategic priorities, Central Services is there to ensure we serve our customers' needs 24/7

Business overview
CENTRAL SERVICES

Our Central Services team is responsible for managing and operating our satellite and ground networks and supporting the business to deliver its strategic priorities.

Technology
Our Central Technology Office manages and operates our global satellite and ground infrastructure, and manages the design, build and launch of our new satellite networks.

Our L-band satellite networks, through our Inmarsat-3 and Inmarsat-4 satellites, have helped Inmarsat to establish and develop a loyal customer and distribution base over time. Our average L-band network availability remains at 99.9 per cent, with this reliability remaining attractive to government and commercial users whose operations require mission and business critical communications support.

The Inmarsat-6 satellites comprise two dual payload (L-band and Ka-band) satellites to be launched at the start of the next decade. This will ensure the reorientation of our L-band capabilities towards new growth opportunities uniquely addressable by a cutting edge global network, with a small, low-cost, highly reliable and agile device to deliver our services to end users.

The GX network, based on our four Inmarsat-5 satellites in Ka-band, is fully operational and has been revenue generating since 2016, with GX-5 to be launched in 2019. With full global coverage established, our future strategy for GX is to augment our network with new, low-cost technologies which will provide additional capacity by adding highly-targeted density. This new satellite technology will be able to deliver a significant step-up in throughput and capacity into key regions of high demand at low cost.

Operations
Our organisational infrastructure is managed and operated by our Central Operations Office, with support from our functional teams in Finance, HR, Marketing, Legal, Regulatory, Compliance, Risk and Governance.

We continue to drive best practice and innovation to drive out cost and complexity across our organisation, to become more agile and to become easier for partners, customers and suppliers to do business with.

Product Group
In 2017, we established a Central Product Group to drive end-to-end product development and management across the Group, bringing together all product-related activities under one roof, with the addition of a nascent digital services team. This will provide more focus and agility in our product and service innovation, development and life cycle management, both digital and non-digital.

The Product Group will work as a catalyst between the business units and the central functions, focusing on the strategic and commercial value of these services, as well as driving a multi-disciplinary approach to building them.

2018 results for Central Services
Revenue and EBITDA from Ligado increased by $1.9m and $3.8m, respectively, 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 licence 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.

Indirect costs in Central Services fell by $27.2m, mainly reflecting the $19.9m restructuring charge in Q4 2017, the impact of the implementation of IFRS 16 which moved lease costs into depreciation during the year ($12.8m), lower operating costs and adverse currency movements of $8.7m.

Central Services capex increased by $82.0m to $496.5m, due to the timing of expenditure on major infrastructure programmes, including the 5th GX satellite and the I-6 satellite infrastructure. Central Services.

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Revenue related to Ligado Networks
$130.7m
+1.5%

EBITDA
$(143.3)m
+15.1%

Central services results

	Year ended 31 December		
	2018 $m	2017 (restated) $m	Change
Revenue			
Ligado Networks	130.7	128.8	1.5%
Other	14.6	14.5	0.7%
Total Revenue	145.3	143.3	1.4%
Direct costs	(20.4)	(16.6)	(22.9%)
Gross Margin	124.9	126.7	(1.4%)
Indirect costs	(268.2)	(295.4)	9.2%
EBITDA	(143.3)	(168.7)	15.1%
Cash capex	(496.5)	(414.5)	(19.8%)
Business Unit Operating Cash Flow	(639.8)	(583.2)	(9.7%)

Chief Financial Officer's review

Consistent revenue and EBITDA growth

TONY BATES
CHIEF FINANCIAL OFFICER

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

Highlights

5.3%
Increase in Group revenue

4.2%
Increase in EBITDA

- Diluted EPS of 27 cents
- Net debt to EBITDA of 2.8x
- Over $1bn of liquidity

Group Results

	Full Year		
	2018 $m	2017 (restated) $m	Change
Revenue			
Satellite services	1,334.5	1,262.9	5.7%
Ligado revenue	130.7	128.8	1.5%
Total revenue	**1,465.2**	**1,391.7**	**5.3%**
Direct costs	(255.0)	(190.7)	(33.7%)
Gross margin	**1,210.2**	**1,201.0**	**0.8%**
Indirect costs	(440.1)	(461.7)	4.7%
EBITDA	**770.1**	**739.3**	**4.2%**
EBITDA margin %	*52.6%*	*53.1%*	
Cash capex	**590.7**	**614.1**	**3.8%**

Group Results

Group revenues increased in 2018 by \$73.5m, 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.

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

Indirect costs fell by \$21.6m, 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 IFRS 16, which moved lease costs into depreciation.

EBITDA was consequently \$30.8m higher in 2018. EBITDA margin fell slightly to 52.6%, from 53.1% in 2017.

Group revenues and EBITDA excluding Ligado increased by \$71.6m to \$1,334.5m and \$27.0m to \$639.5m respectively. Ligado contributed revenues of \$130.7m (2017: \$128.8m) and EBITDA of \$130.6m (2017: \$126.8m) for the year.

Cash capex levels continue to reflect the current major infrastructure projects, particularly the GX-5 and I-6 satellite infrastructures.[2]

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

D&A increased by \$56.5m in 2018, 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 fixed asset impairments totalling \$14.5m for the year.

Net financing cost

Net financing costs for the year increased by \$30.4m, 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 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 ongoing 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 ongoing tax matters where a tax authority adopts a different interpretation to our own. The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of c. \$110m, 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. 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.

Reconciliation of EBITDA to Profit after tax

	Full Year		
(\$ in millions)	2018 \$m	2017 (restated) \$m	Change
EBITDA	**770.1**	**739.3**	**4.2%**
Depreciation and amortisation	(468.3)	(411.8)	(13.7%)
Other	(13.1)	(3.3)	(297.0%)
Operating profit	**288.7**	**324.2**	**(11.0%)**
Net financing income/(costs)	(120.8)	(90.4)	(33.6%)
Taxation charge	(42.9)	(48.8)	12.1%
Profit after tax	**125.0**	**185.0**	**(32.4%)**
Addback of change in fair value of derivative (2023 convertible bond)	23.2	(7.7)	(401.3%)
Addback restructuring charge after tax	–	16.1	–
Adjusted profit after tax	**148.2**	**193.4**	**(23.4%)**

"Infrastructure capex is expected to meaningfully moderate after 2020"

1 GX revenues restated for IFRS 15 (impacting 2017 figures only) and to include Fleet Xpress terminal revenues, which were not previously included
2 Cash capex in 2017, restated for IFRS 15, 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

Chief Financial Officer's review
continued

Group Balance Sheet

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 mainly due to 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

Net cash flow improved by $91.2m, with the impact of lower cash dividends ($132.8m) more than offsetting a $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.

Cash capital expenditure fell by $23.4m, 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.

Group Balance Sheet

	At 31 December	
	2018 $m	2017 (restated) $m
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**

Cash Flow

	Full Year	
	2018 $m	2017 (restated) $m
EBITDA	**770.1**	**739.3**
Non-cash items	4.9	19.8
Change in working capital	(61.6)	30.7
Cash generated from operations	**713.4**	**789.8**
Cash Capital expenditure	(590.7)	(614.1)
Net interest paid	(114.5)	(114.7)
Tax received/(paid)	2.3	(19.8)
Free cash flow	**10.5**	**41.2**
Dividends paid to shareholders	(70.1)	(202.9)
Other movements	(13.9)	(3.0)
Net cash flow	**(73.5)**	**(164.7)**
Increase/(decrease) to cash reclassified from short-term deposits	196.3	53.0
Repayment of borrowings	(127.1)	(3.5)
Net increase/(decrease) in cash and cash equivalents	**(4.3)**	**(115.2)**

Cash flow outlined in this table is non-statutory

Liquidity and net borrowings

	Full Year	
Cash and cash equivalents	2018 $m	2017 (restated) $m
At beginning of the period	144.6	261.5
Net increase/(decrease) in cash and cash equivalents	(4.3)	(115.2)
Foreign exchange adjustment	2.9	(1.7)
Sub-total (net of bank overdrafts)	**143.2**	**144.6**
Short term deposits		
At beginning of the period	342.0	395.0
Net (decrease)/increase in short term deposits	(196.3)	(53.0)
Sub-total	**145.7**	**342.0**
Total cash, cash equivalents and short term deposits	**288.9**	**486.6**
Opening net borrowings[1]	**2,078.6**	**1,894.8**
Net cash flow	73.5	164.7
Non-cash movements[2]	24.6	19.1
Closing net borrowings[1]	**2,176.7**	**2,078.6**

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

2 Non-cash movements relate primarily to the amortisation of deferred financing costs and the accretion of the principal amount of the convertible bond

Capital Expenditure

	Full Year 2018 $m	Full Year 2017 (restated) $m
Major infrastructure projects[1]	333.5	423.5
Success-based capex[2]	80.4	112.0
Other capex[3]	115.3	115.2
Cash flow timing[4]	61.5	(36.6)
Total cash capital expenditure	**590.7**	**614.1**

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 accrued capex and the actual cash flows

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.

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.

Group Liquidity and Net Borrowings

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 $1bn 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.

Future Guidance

The Board remains confident about the future prospects and outlook for the Group, and provide 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* (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)
- 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 focused 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.

Dividends

In March 2018, the dividend was reduced to an annual rate of 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 463,480,897 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.

TONY BATES
CHIEF FINANCIAL OFFICER

18 March 2019

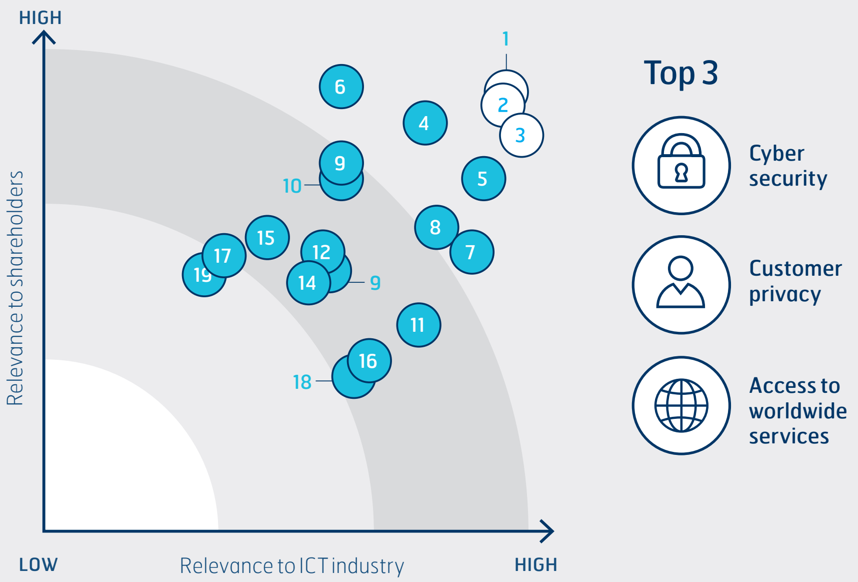
* Excluding any impact of ongoing exceptional tax matter discussed on page 39
** Under Inmarsat's leverage policy, noted here, 'Net Debt' is defined as total external debt net of cash and cash equivalents and short-term deposits as reported in note 20. Lease liabilities are not included in leverage calculations

Corporate social responsibility

Delivering a positive impact

Corporate responsibility is a key enabler for our business, supporting sustainable long-term performance by managing non-financial risks that can impact reputation and shareholder value

2018 Materiality results



1 Cyber security
2 Customer privacy
3 Access to worldwide services
4 Anti-bribery and corruption
5 Customer climate change adaptation
6 Supplier screening on social issues
7 Customer energy efficiency
8 Training and investing in people
9 Equal opportunities, diversity and outreach activities
10 Environmental impact of satellite launches
11 Inmarsat emissions target
12 Environmental impact of space debris
13 Waste in operations
14 Charitable giving
15 Use of raw materials including precious metals
16 Procuring renewable energy
17 Engaging with suppliers to reduce emissions
18 Energy efficiency of operations
19 Public policy & political contributions

Ensuring we act in an ethical manner, taking account of our responsibilities – socially and environmentally – is important in the way we operate and interact with our stakeholders, including investors, employees, suppliers and business partners. This way of working contributes to how we create value for all stakeholders. More information on our Corporate Social Responsibility ('CSR') activities can be found on our website. Our heritage in supporting safety of life at sea and enabling connectivity where there would otherwise be none, is something we have provided for 40 years and we are proud of how we therefore contribute to a global society.

This section of the Annual Report is prepared in accordance with the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. We have included information on new developments and performance and discussed the impact of our activity relating to environmental, employee and social matters. CSR is embedded into our governance structure. The Board provides oversight on activity and delegates these responsibilities to the Chief Executive Officer (who has an ESG objective within his annual objectives) who cascades these duties within the Executive Management Team. The Board is updated where there are any issues which need to be reported on CSR. We are also committed to improving transparency in these areas and, as a result, respond annually to the RobecoSAM Corporate Sustainability Assessment.

Materiality

Our 2017 Annual Report and Accounts (published in 2018) reported on topics recognised by our stakeholders as having a significant impact on our business in respect of economic, social and environmental (ESG) issues. This was the first time we reported on ESG matters in line with the Global Reporting Initiative (GRI) standards and we are pleased this year to build on this.

Material topics reported by stakeholders as important to them in 2018 were cyber security, access to services and customer privacy.

The Company recognises the importance of electronic information, systems and network security (cyber security) and security updates are included as Board agenda items several times a year. We have a dedicated cyber security team whose primary role is to safeguard the Company to meet its legal and regulatory obligations, maintain business continuity and limit damage to business interests. In recognition of the work undertaken throughout 2018 we achieved ISO 27001 accreditation at the end of 2018. There were no material cyber security incidents during the year. There were no leaks, theft or losses of customer data. We were in compliance with the new GDPR requirements applicable from May 2018, with our policies and processes implemented and tested. We have continued to invest in our controls and review our current policies.

In 2018, we continued our engagement with our external and internal stakeholders including employees, customers, suppliers and shareholders. We held stakeholder interviews and sent out surveys to understand the level of stakeholder concern regarding a wide range of sustainability issues. We then assessed the relative importance of the issues identified by our stakeholders to the ICT industry by conducting analysis of key sustainability topics reported by companies in the DJSI (Dow Jones Sustainability Indices) World Index. The results are shown on the matrix above and have informed the content included within this report. In 2019, we will continue to engage with stakeholders, internally and externally, to prioritise sustainability issues and help us better manage our impact. We have utilised the GRI framework again to structure our disclosures. Our GRI Content Index can be found on the CSR section of our website. There have been no significant restatements or changes in the reporting boundary since the previous reporting year.

We will continue to engage with our stakeholders on an ongoing basis.

Code of conduct, anti-corruption and anti-bribery and corporate tax evasion

Our Code of Ethics requires Directors, officers, employees and contractors to conduct business with the highest standards of personal and professional integrity. A copy of our Code of Ethics is published on our website.

We comply with local laws where we operate and, in 2018, we have received no fines or penalties associated with non-compliance to any law relating to the environment, human rights violations, labour standards, anti-corruption or related to claims of tax evasion.

Across our Group we ensure our employees comply with the UK Bribery Act and the U.S. Foreign and Corrupt Practices Act. A summary of our anti-bribery and anti-corruption policy can be found on our website. As part of our commitment to preventing bribery and establishing a culture that does not tolerate corruption wherever and in whatever form it takes, we ask our employees and contractors to confirm annually that they understand the restrictions outlined in the policy and the implications for breaching the policy for the business and them as individuals. Our anti-bribery policy operates in line with current legislation. The policy also incorporates guidelines on dealing with gifts and accepting and giving hospitality. Our latest training module on this subject was issued to employees in February 2018.

We have policies in place dealing with ethics, fraud, the use of inside information and whistleblowing. These policies are fully endorsed and supported by the Board which has ultimate oversight. They are captured together in the Group legal compliance review which is circulated once a year for completion and accessed through the online training platform Nebula reaching our global employees.

We have a worldwide anonymous telephone service for employees to use if they have any concerns. No calls were received by the external provider in 2018. There is also an email address for use by employees which is publicised on our intranet and in our policy documents.

In addition, our internal audit team complete regular anti-corruption and anti-bribery risk assessments as part of the ongoing internal audit programme. All third parties that are in contact with Inmarsat during the course of any business matter, are also assessed for risks related to corruption through visual compliance and due diligence checks. We have detailed clauses in our contracts with agents, suppliers and partners regarding the need to adhere to anti-bribery requirements.

Internal Audit has its annual plan in conducting reviews of business operations, financial and internal controls, IT and cyber security, and legal and regulatory compliance. Through these reviews Internal Audit assessed the key risks, including risks related to bribery and corruption, and mitigation activities undertaken by management, and reported its findings to the Audit Committee. In 2018 Internal Audit had not identified, or reported, or been aware of any incidences of corruption. Moreover, no legal cases relating to corruption have been brought against Inmarsat or its employees during the reporting period. No employees have been dismissed or disciplined for corruption activity and no business partners have had their contracts terminated or not renewed due to violations related to corruption in the reporting period.

The Company has invested significant time and resources, working closely with an expert external organisation, to review its processes to ensure compliance with the recent new legislation regarding corporate tax evasion, combining the review with an updated assessment of its anti-bribery and corruption processes. The work has highlighted where improvements can be made to existing business processes and practices.

Human rights

We are committed to respecting the human rights of employees, customers, suppliers, business partners and the wider communities in which we operate. We could affect our people's rights if our employment standards fall short, or workers in our supply chain through buying practices are not treated in accordance with local requirements.

Inmarsat has had no incidents of non-compliances with labour standards or of human rights violations (including those relating to child labour or forced labour) within the reporting period.

During 2019 we will be launching an overarching human rights policy and embedding it into our business.

Wellbeing and health and safety

The Inmarsat plc Board receives an annual update on the wellbeing and the health and safety activities across the Group. Rupert Pearce, CEO, has been identified as having responsibility for wellbeing and the health and safety issues within the Group and one of his 2018 objectives related to Health and Safety overview across the Group and the monitoring and performance of ESG requirements. We have a dedicated Health and Safety Manager who is located in our London headquarters and our subsidiary operations have identified managers responsible for health and safety.

Our collective focus on employee wellbeing and the health and safety of employees and those who work on, or visit, our sites is a contributory factor to the success of our organisation. Our culture, with a safety focus, and our employees demand high standards for all aspects of health and safety. This is supported both by our mandated Health and Safety Policy and the principles contained within our Code of Ethics for employees.

We promote wellbeing through a wide variety of programmes, including exercise and fitness promotion, flexible working, nutrition and occupational health checks. We know that good mental and physical health contributes to better decision making, greater productivity and higher levels of employee satisfaction. We run campaigns to encourage employees to take responsibility for their health problems, such as heart disease, diabetes and cancer.

Our goal is to encourage strong leadership in championing the importance of a common-sense approach to health and safety in the workplace. We recognise the need to provide a safe working environment for our employees, contractors and any visitors.

Health and Safety does not work in isolation from how we operate across our business. This year, new and improved processes were introduced to improve our ways of working.

We had 23 (2017: 27) accidents or near misses reported, and again we had no fatalities.

During the year we undertook the following activities:

- Carried out Construction Design and Management compliance and audit assessments in relation to the refurbishment of our London headquarters
- A global gap analysis was carried out to compare current conditions and practices in order to identify gaps and areas in need of improvement. Opportunities for improvement have already begun and will continue as part of our 2019 framework
- We reviewed our fire strategy at our London office with a view to continue this approach into 2019 for all sites
- Risk assessments continue to be a key focus of our business for different activities and legislative requirements
- Mental health and first aid training and awareness was once again arranged and was well received across our global offices
- The annual Wellbeing Week, with a focus on maintaining a healthy eating lifestyle for employees, continued to be supported by offices in all our key hubs

Corporate social responsibility
continued

- We continued to drive improvements in operating in a safe operating culture
- We embedded processes in our corporate systems for capturing staff, contractors or interns globally who may have a disability or mobility impairment to be compliant with the Equality Act 2010

We introduced an on-line tool for staff to log incidents. This will allow us to capture data to monitor trends and implement corrective action where necessary. This is particularly useful for our field engineers and those working in shipyards for installations and we have seen it being used across multiple group offices.

In 2018, we participated in several UK local government-led meetings with emergency service representatives to identify and assess risks that may cause an emergency for our business and how to respond. Areas covered included flooding, pandemic flu, utility failures and terrorist attacks.

As part of our business of operating a global satellite network, we operate a number of satellite access stations, VSAT and telemetry and tracking facilities where there are satellite dishes which generate radiation. Access to these sites is restricted and there are regular health and safety checks to ensure that they are in protected areas away from access by the general public. Personnel who work at these sites are provided with relevant training as to health and safety issues.

An additional area of ensuring we monitor effectively the safety of our satellite operations is that we have adopted the highest industry standards in terms of space debris mitigation. This includes end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. We operate our satellites in geosynchronous orbit which is approximately 36,000km (22,500 miles) above the Earth. This orbit has significantly less debris than at low earth orbit which is approximately 700km above the Earth and where several MSS operators have their satellite constellations. We are also a founding member of the Space Data Association ('SDA'). Along with Intelsat, SES and Eutelsat we aim to improve the satellite safety of flight and make operations in space safer and more reliable.

Our technology

We have identified technology as one of the key resources supporting our business model. While investment in innovation is clearly important, having talented and experienced teams who understand how technology and innovation can work together is essential. Our teams monitor what happens in the macro environment and see how this affects future innovation so we produce services our customers want to use in a way which takes into account how we can work with our satellite manufacturers to ensure their processes are as environmentally friendly as possible and also how our launch providers are also responding to this. SpaceX, with whom we have had a successful launch, is an example of a launch provider which reuses some of its launch vehicles and we believe there will be a focus on greener technology to be adopted more by all connected with the satellite industry going forwards.

Our partners

Our partners are critical to our business success and supplement our own capabilities. We rely on their experience to support our business objectives and strengthen our service offering and therefore, we aspire to negotiate deals that allow our partners to make a fair return whilst maintaining cost certainty and competitive market deals.

The roll-out of Inmarsat's Streamline Programme for customers has continued throughout 2018. The Streamline Programme encompasses updated terms and conditions and agreements for our customers which can be accessed through the 'My Inmarsat' partner portal which contains pricing and product information as well. Many of our key customers have transitioned to this new way of working. Additionally, all new products are available via this partner portal and all new customers are using the Streamline Programme as standard. This roll-out will continue into 2019.

Our Procurement team has delivered a number of major corporate deals during 2018, saving us over $46m – highlights include the award of GX5 contracts (ground infrastructure, antennas, site preparation ready for the launch of our fifth GX satellite) and sourcing a complex multi-vendor landscape to enable a major IT transformation programme (One IT) that will overhaul our internal service delivery capabilities. We continue to lead the rationalisation of the vendor base by reviewing different ways of buying. Adopting a different strategy on legacy issues, such as supporting products using alternative suppliers, has helped us remove cost for our stakeholders to spend on more value added products and services. In addition we continue to negotiate appropriate terms of payment with our vendors resulting in paid on time invoices and working capital benefits.

Volvo Ocean Race

Inmarsat continued its partnership with the Volvo Ocean Race, providing safety, communications and advanced broadcasting services to the whole fleet. The 2017–18 edition had sustainability at its heart. The team 'Turn the Tide on Plastic' formed part of the UN Environment's 'Clean Seas' Campaign, which aims to better understand the issue of plastic pollution in our oceans and inspire the millions of race fans to take action against single-use plastic in their day-to-day lives.

Other notable events were the nomination, for the first time, for a Chartered Institute of Purchasing and Supply Management Award, which is known for recognising excellent performance in the UK, and the appointment of a new VP for Global Procurement, moving us forward on the next steps of our continuous improvement programme.

As part of our ongoing programme of vendor due diligence we worked with a third party agency to review our entire vendor base to undertake a risk review including credit, compliance and other business risk areas. This analysis will be used to identify and mitigate risk in our supply chain and the supply chains of our vendors.

The simplification of our Procure to Pay ('P2P') function was further supported by a number of enhancements to our core finance system. The Procurement Portal went live in early 2018, enabling a new, easier, more compliant way to buy across Inmarsat, ensuring employees are guided to the preferred and approved vendors we want them to use to ensure we make effective buying decisions. A P2P Kaizen event took place in Q3 2018, focused on improvements for working with our vendors. This, in conjunction with, the expansion of Purchasing Cards will allow the business to acquire the goods and services it needs using the most cost-effective methods.

Our Modern Slavery Statement can be accessed on our website. An assessment of our vendors identified that the majority are located in very low risk areas. Inmarsat remains focused on the vendor due diligence it undertakes and highlights anything that doesn't 'feel right' with the existing vendors we use. We also have clear guidelines on how we work with agents and government organisations.

During 2019 we will be reviewing and publishing a new supplier code of conduct to hold suppliers to account for standards of ethical behaviour, environmental awareness, health and safety and other relevant working practises.

Meeting our public responsibility

Our website provides considerable information about how we connect with organisations, individuals and our different partners to extend the reach of our services to support those who may need assistance either for humanitarian needs or charitable endeavours. You can find out more online at inmarsat.com and review case studies and updates in our CSR section. As we enter our 40th year, we are very proud of our heritage for saving lives across the world through our connectivity capabilities.

UN Sustainable Development Goals

Inmarsat fully supports the objectives of the UN Sustainable Development Goals. We support various humanitarian and charitable organisations with either free airtime or support for hardware, and work with organisations in many developing parts of the world. Our heritage of saving lives at sea and our ability to connect people in areas where there is little or no infrastructure, reflects how our work touches directly or indirectly our support of the UN Goals. We will continue to identify ways we can work through our own staff, our partners and wider ecosystem to develop our support of these Goals further.

Maritime Safety Services

Maritime Safety is firmly embedded into the DNA of Inmarsat, with us continuing to be proud providers of the Global Maritime Distress and Safety Systems ('GMDSS'). Inmarsat has been the sole satellite provider responsible for the safe keeping of our 1.6 million global seafarers around the world. We continue to be the only satellite communications provider currently providing the recognised services approved by the International Maritime Organisation ('IMO').

Although we have a long and successful history in providing these emergency services, we do not stand still. We are continually pushing regulatory and technical advances to ensure we provide new, innovative and functional safety services and continue to look forward with our long-term investment into Safety Of Life At Sea.

In 2018 we achieved unprecedented full IMO recognition for our latest GMDSS technology 'Fleet Safety'. Fleet Safety is already being applauded as playing a pivotal role in modernising the GMDSS service. This new offering from Inmarsat, due to be commercially released in 2019, has already won two awards in 2018. The judging panel for The Safety4Sea Technology Award acknowledged Fleet Safety as 'a significant technological breakthrough', recognising that the system will improve the safety of mariners and vessels worldwide. At the prestigious Safety at Sea Awards 2018, the Terminal was named 'Best Safety Service of the Year'.

We have not only further enhanced maritime safety technology for the seafarer, but we have also created a new service for the Maritime Rescue Coordination Centres ('RCC') called 'RescueNET'. This free service enables Search and Rescue ('SAR') authorities to co-ordinate and communicate with vessels in distress and other SAR authorities quicker and easier than ever before. RescueNET is currently being used by 21 countries around the world, ensuring that no matter what waters a vessel sails in, there is an Inmarsat associated RCC waiting to assist if disaster was to strike. This new service is already saving lives including a rescue by RCC New Zealand of three men in a 15 foot wooden boat missing in Kiribati (Marshall Islands), approximately 2,800 nautical miles northeast of New Zealand.

Our dedicated Maritime Safety Team not only ensure the smooth running of our GMDSS service, but also provided training in 2018 to a varied audience, including an annual three day seminar to the World Maritime University, Search and Rescue capacity building within three African countries and educational talks to national authorities and schools. We work closely with IMSO, who oversees our GMDSS performance. During 2018, we transitioned our safety services from our older Inmarsat-3 satellites to the Inmarsat-4 satellites and are preparing for our next generation Inmarsat-6 satellites currently being built to provide safety services into the future.

Corporate social responsibility
continued

Charitable Partnerships

We continued to support the telecommunications relief aid organisation, Télécoms Sans Frontières ('TSF') who celebrated 20 years of saving lives in May 2018. We contributed in 2018 a $260k cash donation to TSF and $100k in free airtime to a partner in connection with TSF's airtime usage. We also paid $115k to the World Maritime University as part of our support for the education of maritime specialists and we also provide visiting speakers to provide education updates as well as one of our employees sitting as a Board member to provide expert support. We support Team Rubicon UK ('TRUK') (see below) with charitable donations of $89k. These three payments are our most significant charitable payments. The total charitable donations amount paid in 2018 was approximately $416k. This amount excludes the free airtime and terminals we offer to multiple charities as we support their endeavours throughout the year.

Our core charitable support remains on the work carried out by TSF. TSF runs programmes on disaster relief and preparedness, training for other relief organisations and regional and national disaster response agencies about the available capabilities for emergency telecommunications. They have adapted well to working with our latest technology, Global Xpress, and find it is very beneficial to allow many of the victims they meet to connect with their families and friends more easily using their own phones. Our technology changes therefore have a beneficial impact on the way TSF is able to respond to support those who are displaced. We have also continued our support for the International Telecommunications Union ('ITU').

In 2018, we continued to strengthen our support for Team Rubicon UK which unites the skills and experiences of military veterans with first responders to rapidly deploy emergency response teams worldwide. Some 50 individuals from across the Inmarsat business are now trained as Team Rubicon 'Greyshirts', which means they have completed training courses to be able to support the charity. We supported deployments in the UK, Indonesia, Nepal and Haiti by providing resources, communications equipment and airtime. Our staff are encouraged to get involved during Company time supported by the Company volunteering programme.

Our CEO, Rupert Pearce serves as Commissioner to the Broadband Commission for Digital Development. It was set up by the ITU and UNESCO with the aim of boosting the importance of broadband on the international policy agenda and expanding broadband access to accelerate progress towards national and international development targets, as proposed by the UN. He is also a member of the Broadband Commission's Working Groups on Digital Entrepreneurship, Vulnerable Countries and Digital Health Working Group. We have also committed to the Working Group on Broadband for All: A 'Digital Infrastructure Moonshot' for Africa. These types of activities contribute to our support of the UN Sustainability Goals mentioned earlier.

Our Universal Service Obligations seek to support the use of our services, normally payphones, in rural villages in remote regions of the world, where terrestrial voice services are poor or non-existent.

Our global offices support local causes at a corporate and employee level and we encourage staff to get involved in local community initiatives. Employees across our offices are encouraged to support individual charities of their choice, and for employees in our principal UK office, this is encouraged through the UK Government's tax approved contributions scheme. During 2018, one of our employees, working with a small team, has mobilised our workforce to support him to raise funding for TRUK raising tens of thousands of pounds in the process.

International Partnership Programmes

In 2018, we implemented three major international development programmes, each of which is supported by the UK Space Agency's International Partnership Programme ('IPP'). The IPP is a fund that supports international development objectives aligned to the Sustainable Development Goals ('SDG'). It uses the unique advantages of space based systems to provide service and data to disadvantaged populations. All of the projects must meet defined SDG ambitions and demonstrate that

Inmarsat reinforces commitment to maritime safety at Our Ocean 2018

Our Ocean gathers representatives from countries around the world to influence concrete and actionable commitments to preserve the oceans' health. The 2018 priorities include: combatting maritime crimes; promoting maritime safety and security; innovations in surveillance and monitoring; and sharing-mechanisms to improve maritime safety. We continue to contribute to the targets set by Our Ocean by improving the vessel monitoring system ('VMS') technology for tracking and regulatory enforcement in the fishery industry, and the work we are undertaking with the IMO to modernise the Global Maritime Distress and Safety System.

the project is the most effective way of meeting the international development objective.

- **Indonesia fisheries:** Enhancing the safety, productivity and food security of Indonesian fishers and their communities by designing and implementing innovative solutions for smart satellite technology to promote inclusive and sustainable fishing practices in Indonesia
- **Philippines:** Reducing the impact of natural disasters by prepositioning powerful but easily deployable equipment, supported by effective training to permit the operation of disaster response communications
- **Nigeria eHealth:** Raising the standard of Nigerian healthcare outcomes by extending the reach of basic medical services into remote areas of the country, delivering professional training, data collection and disease monitoring in areas with poor communications through the application of satellite connectivity

We have been very proud to be involved with these programmes where we can see a direct impact of the value satellite connectivity can bring to communities.

Environment

In 2018 Inmarsat achieved a CDP score of B (2017: B), maintaining our performance and demonstrating that we are managing our environmental impact, as well as climate change related business risks and opportunities.

Although the direct activities of the Group are judged to have a low environmental impact, we understand that unless urgent action is taken to limit global temperatures to 2C (35.6F) above pre-industrial levels, climate change presents significant and systemic risks. We support the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD') and will look to continue to develop transparent reporting around climate-related risks and opportunities for our business.

Within our annual CDP response we provide details on Inmarsat's substantive regulatory, physical and reputational risks and opportunities relating to climate change. For example, rising sea levels as a result of climate change could impact our satellite access stations which are located at strategic points around the world and act as traffic gateways connecting customers using the Inmarsat satellites to terrestrial networks. To manage this risk, we have established site selection due diligence processes which incorporate climatic geographical considerations. Our 2018 CDP response is available on our corporate website. Looking beyond our direct climate impact, we have noted that our stakeholders identified that working with suppliers and customers to reduce emissions in our value chain should be a priority for Inmarsat.

As a result, we are currently working with our sustainability partner, Carbon Credentials, to quantify emissions from our indirect (Scope 3) activities with the ambition of engaging with our partners to set meaningful emissions reductions targets. This work feeds into our ongoing programme to set a science-based emission reduction target in line with the UK's commitment under the UN Paris Agreement.

We have approximately 1,800 staff in 39 locations around the world. Of those offices, warehouses and satellite access stations, over 80% operate from eight locations.

Team Rubicon case study

Inmarsat first became Team Rubicon UK's satellite communications partner in 2015. Since then we have been providing connectivity for Team Rubicon's emergency relief efforts and long-term reconstruction projects. We also have 50 Inmarsat staff trained as Greyshirts volunteers. The National Three Peaks Challenge was made up of a team from Inmarsat, our partner Spectra and Team Rubicon UK.

Corporate social responsibility
continued

Enabling environmental sustainability across the value chain

Through our services, we can help reduce carbon emissions and increase resiliency in other sectors. For example, the agriculture sector is faced with a multitude of challenges, tasked with increasing the amount it produces while reducing its impact on the environment. A study undertaken by Inmarsat shows that agriculture organisations are adopting Industrial Internet of Things ('IIoT') to help them achieve these goals. However, without the right connectivity networks, IIoT deployments won't deliver the improvements in sustainability they are capable of. The global nature of the agriculture sector means that organisations need reliable connectivity to gather critical data from every area of their operations and analyse it in real-time. With global and reliable coverage, our satellite communications offer the levels of connectivity organisations need to make IIoT a success.

Our environmental principles are to:

- Provide first-class energy and environmental management practices
- Comply with all relevant global environmental legislation and regulatory controls
- Identify significant environmental and social impacts and establish objectives and targets for improvement
- In our main UK site, recycle a minimum of 90% of generated waste and to constantly review the opportunity to use recycled products
- Actively encourage the conservation of energy, water and natural resources through the increased efficiency and introduction of new and modern technology
- Encourage all employees to be proactive in their daily activities by separating their waste into dry and wet waste receptacles
- Ensure that printer cartridges are recycled
- Switch off lights, computers, phone chargers and any other electrical items when not in use
- Reduce business travel and using more site-based technology such as video and audio conferencing and
- Replace inefficient building lighting with LED technology

We continue to monitor our energy consumption and comply with our social and legal responsibilities in terms of carbon emissions. Please see our summary of carbon emissions within the Report of the Directors on page 102.

We set an interim target to reduce absolute Scope 1 and 2 emissions by 20% compared to 2016. We have achieved this target with our absolute Scope 1 and 2 emissions having decreased by 27% since 2016 (using the market-based Scope 2 accountancy method).

This decrease in emissions is a result of our switch to a renewable electricity supply at our London headquarters, our largest electricity-consuming site, and a number of energy-saving initiatives rolled out across the Group.

All new office builds, such as in St Johns (Canada and Batam (Indonesia), are designed with energy efficiency in mind. We continue to improve operations to ensure they consider occupational usage, including the efficient running of servers at our data centres. Across the group LED lighting has been installed where appropriate. Video conferencing and other collaboration tools allowing visual connectivity are being used to reduce the dependency on air transport and are a popular means of communication with staff working in different locations and across different time zones.

At our headquarters in London we are currently undertaking a significant refurbishment project that will help reduce energy consumption at this principal site. We are in the process of replacing the energy-intensive chillers on-site with new environmentally friendly machines which produce less carbon emissions per unit of gas input and operate 20% more efficiently. The refurbishment will also offer a fresher, more collaborative work place for our people and visitors. With about 70% of the work completed at the end of 2018, we are already seeing the benefits of an improved work environment where collaboration areas are well used.

Commercial waste and water

In the London office and at our major sites, we continue a progressive approach to waste management. Recycling is managed locally in the larger sites with the separation of plastics, paper and non-recyclable materials. In the head office in London, which is the single largest office for the Group, 100% of waste is diverted from landfill and this policy has been in place since 2009. We separate our waste into four streams: recyclable, non-recyclable, glass and confidential waste. Confidential waste is shredded and pulped to be reused in paper products. In 2018, our total waste from the London head office increased by 11%. We continue to work with our London office caterers to reduce our impact on the environment and, for example, cooking oils are now collected and converted to sustainable biofuels.

Our water use, in our London office, in 2018 was double the usage in 2017. This is something we are continually monitoring and improving during our refurbishment.

During the year we replaced and upgraded our instant water boilers and water fountain machines to improve water efficiency and quality.

> "We continue to monitor our energy consumption and comply with our social and legal responsibilities in terms of carbon emissions"

Our people

Our people are behind every aspect of our strategy

We believe passionately that Inmarsat is a unique organisation to be part of and the great people who work here are the foundation on which it is built

Supporting our drive to create a high performance organisation is a key pillar of our company strategy and 2018 saw further acceleration and progress in the delivery of our ambitious People Strategy across all areas of the employee experience.

Central to our work this past year has been our focus on creating the right culture and values-centric environment where our employees can thrive and drive the business forward. Alongside this we have built and strengthened leadership capability, focused on managing for performance across our global workforce, created and communicated a compelling employee value proposition, launched our diversity and inclusion strategy. We also continued to build an effective organisation by ensuring our market facing businesses have the right capability and structure to sustain our future growth.

Culture and values

Creating an engaging and inspiring place to work remains at the heart of our people philosophy and this year we have been working to drive an internal cultural transformation. The High Performance Culture programme, which launched with senior leaders at the end of 2017, has now reached around 90% of our global employee workforce, via a two-day immersive workshop delivered largely by Inmarsat facilitators. Our 2018 focus saw us start to actively shape our culture by aligning our employees around key behavioural concepts that resonated with everyone and introduced a shared language and understanding of how we want to work together. In 2019 the focus moves to embedding these concepts across global offices countries and 70 nationalities and applying the culture tools to enhance business practices.

This cultural alignment is starting to shape a common approach to how we work together and deliver for our customers. 71% of respondents to our recent culture impact survey said they collaborate more as a team with higher levels of trust and 83% believe the culture process will make our company more successful. Early indication shows that we are starting to collaborate better across departments and our vision and strategy are better understood than previously.

The programme is also intrinsically aligned with and underpins our new values of Accountability, Respect and Excellence. Listening and understanding what mattered to our people resulted in these values – values that put the customer at the heart of what we do, and look to the collective power of our people to deliver pioneering solutions to meet their needs. An innovative 'collaboration café' workshop ran across the globe to immerse the organisation in understanding what they mean for us. An internal communications survey showed that over three quarters of our people have a good understanding of these new values. This cultural focus has helped us build the right internal environment and behaviours that will underpin our future growth as a company.

Strengthening leadership

Leaders are pivotal to shaping culture and to driving employee performance, revenue growth and ultimately our business success. At the heart of Inmarsat's people strategy lies our ambition to attract and develop world class leaders and support them in their careers at Inmarsat. In 2018 we have made great strides in strengthening our leadership capability in a number of ways.

Firstly, our focus on senior level leadership has seen a talent review of our senior level population to inform succession planning and active management of our talent pipeline. In a relatively small, highly specialised industry sector, this is increasingly important to ensure our future skills and capability needs are met.

Insight from our talent review has informed the active programme of tailored development for our senior leaders. Partnering with CASS Business School, we have delivered a commercial curriculum, building skills across a broad spectrum of areas. We have also partnered with Henley and Cranfield to deliver an Executive MBA programme and currently have 14 employees enrolled in the programme.

We have also made a significant improvement in the gender diversity of our Executive team, up to 31% from 25% in 2017. In an industry challenged by the pipeline of female talent, it is important that we made changes at the highest level in the organisation. This includes supporting our female talent to progress, which has also been an area of focus, and a partnership with RADA has delivered Executive Presence development for both senior and mid-level female leaders.

The initiatives set in train this year will form the foundation of our approach for the years to come.

Learning and development

Alongside developing our senior leaders, ensuring we lead and manage for performance across every level of the organisation is critically important too. This year we have continued to strengthen our broad learning and development offering, and this has been reflected in the growth score* improvement from 7.0 to 7.4 in our People Pulse engagement survey over the course of 2018.

Managing for performance is underpinned by our 'Be Your Best' development conversation-led approach and 2018 has been its first full cycle. Tailored webinars and '90 minute learning workouts' have supported all our employees to build their skills and capabilities in leading and participating in great performance conversations. Our workshops have not been constrained to this focus area, but also covered a broad range of leadership and management topics and are proving popular with 55 sessions and a total of 322 employees completing one in 2018.

To support and embed the 'Be Your Best' cycle we have also integrated our talent and reward processes, to underpin more holistic conversations about performance, talent potential, development and reward.

Developing mentoring capability has been a priority, and over the course of 2018 we have rolled out a new mentoring programme, supported by a comprehensive toolkit. We now have forty trained mentors who are able to support colleagues across the business.

Our Learning hub – our focus area for all online learning – continues to extend its reach and has seen a 66.5% increase in usage across the year, with over 1,300 users across the system accessing a total of approximately 750 different e-learning courses and programmes.

* The 'growth' score in our People Pulse engagement survey indicates how people feel about training and development opportunities

Our people
continued

We have also made technical online training available to our engineering and technical people, using online platforms that provide a range of relevant and up to date skills training.

Launching our people promise

Delivering an engaging employee experience remains at the heart of the People Strategy and our principle measure of success is the overall employee engagement score, tracked in the six-monthly People Pulse survey. Our final survey of 2018 showed a significant improvement this year from 7.4/10 to 7.6/10. This is validation of work across all pillars of our People Strategy and is endorsement of its direction and ambition.

Underpinning the employee experience is a clear articulation of 'what's in it for me' or the employee value proposition. In May we were proud to launch our 'People Promise' that set out our commitment to our employees in terms of how we intend to engage, develop, reward and recognise them in their working life at Inmarsat. Our People Promise was built on rich insight and feedback from our employees, gathered from a series of nine global workshops, competitor review and other feedback routes.

Insight from this work has driven a number of initiatives. Recognising our people's passion for making a difference, we have launched a new volunteering policy that encourages employees to support their local communities, alongside our continued support of employees' training as Team Rubicon Greyshirts. We have seen a steady take up of staff taking volunteering days in 2018 to support causes such as homeless charities and Norway's Redningsselkapet lifeboat service.

We've aligned and improved our recognition approach to reflect our new values, including our peer nominated 'Spot Beam Awards' that offer employees the chance to recognise exceptional values-led behaviours and achievements of their colleagues across the Company. In 2018 we have seen over 350 such award nominations.

We have continued our work to advance our internal communications, from improving our cascade and storytelling about our purpose and strategy, increasing visibility of our Executive Management Team, and encouraging more two-way communications. Our first internal communications survey showed a group internal communications index score of 63%.

We are also launching a Global Workforce Advisory Panel ('GWAP') providing a direct conduit and effective dialogue between the workforce, the Executive Management Team and the Board, in line with requirements outlined in the recently updated Financial Reporting Council's UK Corporate Governance Code. GWAP will capture the views of employees on proposals and issues which affect our people, recognising barriers and enablers and helping to address them. GWAP will promote a culture of collaboration and high performance, and consult on and provide advice, support and feedback during the implementation of programmes and policies. Most meetings of GWAP will be held virtually due to the global nature of the business but there will be an annual meeting with the Executive Management Team and Board in London. GWAP held its first meeting in February 2019. Our UK Staff Forum and Netherlands Works Council continue to act as formal staff consultation bodies and will work collaboratively with the GWAP. In total 125 employees in the Netherlands and Australia are covered by collective bargaining agreements.

We are also committed to supporting our people with flexible working policies that enable them to balance their working and personal lives. This is key to attracting and retaining talent, and we continue to champion this approach.

In recognition of our efforts to make Inmarsat a great place to work, we were proud that our St John's office Newfoundland, was ranked one of Atlantic Canada's top employers for the second year running. The award reflects our commitment to employee engagement and the collaborative and positive culture that we have continued to build in the office.

Diversity

Rupert Pearce, our CEO, believes we do not just want diversity – we need it. As digitalisation and globalisation continue to transform the world, every aspect of our lives becomes more connected. We are immensely proud of our diverse make up as a multi-national, multi-ethnic organisation. We believe that the breadth and richness of skills, contribution and viewpoints is central to our success. Creating an environment that is inclusive and diverse, where everyone can be themselves is central to our three-year diversity and inclusion strategy that launched in 2018. The strategy touches every aspect of the employee life cycle from attraction, recruitment to development and retention.

Bringing external perspectives into our planning has been critical and we have partnered with Stonewall and the Business Diversity Forum as we have developed our strategy, to ensure it is robust and aligned to best industry practice.

We want to foster the richness of ideas, thoughts, opinions, perspectives, backgrounds and experiences to create value. Our initial focus has been on gender diversity, from our Early Years' Programmes and how we foster and nurture interest in STEM subjects in the next generation, to improving our gender mix at the most senior levels as evidenced through our achievement of the recommended Hampton Alexander target for our Executive Management Team. We also support and enable our internal female talent to flourish through the RADA programme for female mid and senior level leaders. In addition, we now have an active Women's employee network, sponsored by an Executive Management Team member, and its role is to actively champion and support female colleagues across the company.

The gender split across the Group (excluding contingency workers) is illustrated in the following table.

Gender parity in the workplace

The Board has ultimate oversight of the development of the people and culture programme to contribute to a sustainable business and ensure this is delegated to the CEO and his management team to deliver throughout the Company. Pip McCrostie, one of the Non-executive Directors, took part in the Company's first panel discussion on gender parity in the workplace which demonstrated our commitment to being an inclusive organisation for our global employees. Pip said she "hopes to support management to inspire the next generation of leaders at Inmarsat by ensuring there is a level playing field for everyone".

	2018		2017	
	Male	Female	Male	Female
Diversity of plc Board	83%	17%	83%	17%
Diversity of Executive Management Team	69%	31%	75%	25%
Diversity of senior managers	71%	29%	81%	19%
Diversity of all other employees (excluding contingency workers)	70%	30%	71%	29%

We're pleased to say that in 2018 we have seen progress in our gender diversity, most notably in the Executive Management Team and Senior Manager populations.

Our diversity and inclusion strategy extends beyond just gender, and in addition to the women's employee network, we have also launched a further network for Lesbian Gay Bi-sexual Transgender plus other groups that identify across the LGBT spectrum. This network, has an Executive Sponsor. We have also introduced an ally framework and engaged with the UK student population about LGBT inclusion.

This year we asked our people in our engagement survey about their views on our equality in the workplace and we are proud to report that this question scored 8.2 out of 10. To understand more robustly what our diversity focus should be, we have conducted a diversity and inclusion survey to give us a baseline understanding of how we are doing and to inform and support activity going forwards.

Gender pay

We have published our second UK Gender Pay Gap report, showing data as of 6 April 2018. As in 2017, the 2018 report provides data on our entire UK workforce, as well as for employees employed by Inmarsat Global Ltd, the one UK entity we operate with more than 250 employees.

In April 2018 we had 792 employees in the UK, 71% of whom are men and 29% are women. The overall gap in earnings is 21.9% (mean) and 22.8% (median) (2017: 24.5% (mean) and 24.4% (median)).

As many other organisations, particularly those in the technology industry, Inmarsat's gender pay gap also reflects the challenges we have in recruiting equal numbers of men and women to all parts of our business, especially in the technical/engineering and sales areas, which tend to be more highly paid in the UK market.

We are pleased to report that our gender pay gap numbers have reduced in 2018 compared with 2017, reflecting the progress we have made in female representation in the last 12 months.

We know that a reduction in our gender pay gap will only result from a holistic combination of key interventions and our diversity and inclusion strategy sets our approach to achieve this. In 2018 we saw the start of key initiatives to support gender parity in the broadest sense possible, including pay. In 2019 we will be improving a number of policies to support women across the employee life cycle, introducing blind CVs and continuing to raise awareness and educate our employees on this topic.

Early years' programmes

With a growing STEM skills shortage and our desire for our workforce to be diverse and inclusive, 2018 has seen the development of a holistic approach to fostering and developing the future pipeline of STEM and other talent that we need.

We have established an early years' foundation programme that encompasses three key areas. Firstly educational engagement that manifests in Insight days, secondly graduate programmes that include placements and summer internships and finally apprenticeships in a variety of fields including engineering, sales, HR and Marketing that we are funding through the apprenticeship levy.

As a result of our new entry level programmes around 30 young people have experienced our business this year, rising to 80 with one week work experience placements. All have experienced a structured programme while with us enabling them to gain knowledge and skills and for us to benefit from their skills and talents.

Our Technology and Engineering Graduate Programme is a two-year rotational scheme with a mission to grow individuals to have a solid understanding of our organisation, developing strong foundations to enable them to become Subject Matter Experts or future leaders. We have also run a graduate programme for graduates joining our Sales teams.

We are building relationships with a growing number of primary and secondary schools, colleges and uniform groups and over 150 young people benefited from spending an insight day at our London headquarters. These days provide opportunities for young people to understand more about the industry and specifically the work that we do, and to meet and talk to our employees. In addition, and perhaps more fundamentally, they get to be hands on, solving age appropriate engineering challenges to develop a natural curiosity and an interest to work in a STEM related career.

Once again this year we have invested in partnering with City and Islington College to run an engaging and stretching six week strategy challenge with around 18 students, as part of their initiation into tackling real world business problems. We have seen a number of these students, after completing the challenge, use this experience to support their university applications and it has also led them to undertake a work experience placement.

2018 also saw us partner with Envision who develop young people's employability by empowering them to tackle real-life social problems. In the UK, this saw us working with Sydenham School for girls and raising money for young careers in Lewisham. All of the 14 participants of the programme were supported over the three month project durations by Inmarsat mentors to develop skills in teamwork, determination to succeed and confidence.

Many of the early careers initiatives have been supported by the dedication of our own employees, finding time to work with the young people to inspire them about STEM careers and the working life at Inmarsat. In addition to the above initiatives, over 50 Inmarsat staff were involved in some way in volunteering with young people.

Our website contains more information on the areas of education we support, including, for example our continued support for World Space Week, an initiative started by the United Nations in 1999.

Delivering HR excellence

Much progress has been made this year on improving the quality of HR service delivery, including changing our operating model and significantly upskilling the team. In particular, we have transformed the resourcing function, shifting the balance more towards sourcing talent directly (rather than through agencies) resulting in cost savings/avoidance of over $3m throughout the year.

ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

18 March 2019

Risk management

Reducing risks to the execution of our strategy

Effective risk management is fundamental to our ability to meet both our short-term and longer-term strategic objectives

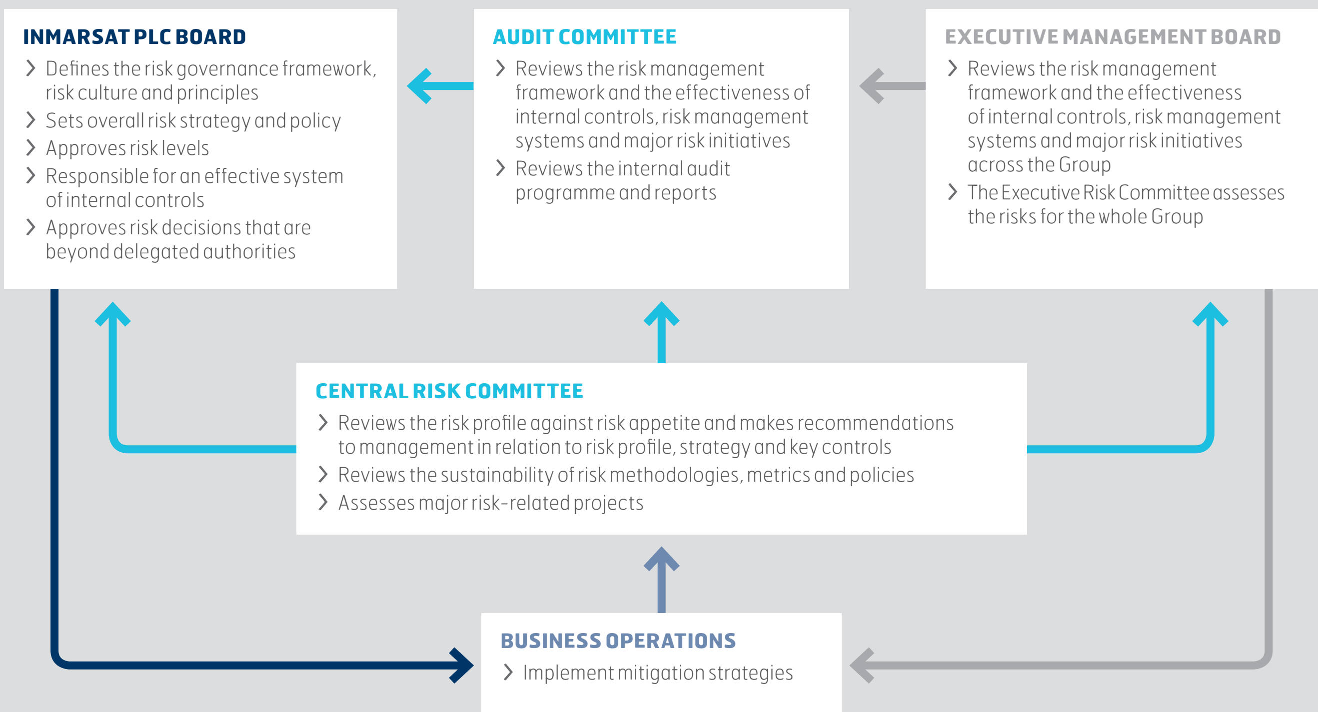
Risk framework

Risk comes hand-in-hand with business opportunity. Risk is not something that should be driven out of the business but rather something to be identified, intelligently assessed and managed. The aim is not to eliminate all risks, but to foster a culture supportive of effective risk management by encouraging appropriate risk-taking to achieve our objectives. The Group's approach to risk is brought together in an overarching risk management policy. This policy, together with the risk management process for risk assessment and mitigation, have been implemented to focus risk management on strategic and business objectives, mitigation of the largest risks, and to comply with and support the ISO 27001 standard and accreditation. The policy sets out our risk appetite as well as roles and responsibilities. The Board believes that the behaviour of individuals across the business is key to underpinning an effective risk management culture. Across the Group, use of our Inmarsat Values is helping promote the right set of values to support effective risk management.

As required by the policy, management applies the risk process to identify, quantify, assess, mitigate and report significant risks within the business, and to report to the Board on how those risks are being managed. Risks are initially identified, assessed and described together with mitigation actions for each business unit and area in individual risk reports which are reviewed and discussed with the relevant Executive Management Team member. On a quarterly basis, the risks and mitigation plan progress are formally reviewed by senior management on a Central Risk Committee represented by each component part of the business. These risks are assessed and consolidated in a systematic way to identify the Group's principal risks and the result is a Group risk report. This quarterly Group risk report is further discussed and reviewed by the Audit Committee and the Board, which has overall responsibility for the risk management framework. Whilst the focus in on the principal risks, the Central Risk Committee and business areas also identify and mitigate secondary risks at each meeting.

With risk assessments completed across the Group by the end of 2017, the focus in 2018 has been on progressing and completing risk mitigation actions. The individual risk reports are assessed by the Central Risk Committee. All the reports represent a robust description of the Group's risk profile with targeted mitigation actions to reduce the risks. Due to the risk assessments focusing on strategic objectives, the new process contributes to and supports our achievement of strategic goals. Our objectives-based risk workshops and risk workshops on information assets, using the same process, are important components of Inmarsat's project to obtain ISO 27001 certification.

Risk management process



The Board regularly, and as part of the year end process, reviews the Group's principal risks and the actions being taken to mitigate those risks. As part of the Long Range Business Plan and the risk management process, the Board will determine the level of risk carried and the extent of mitigating activity required to deliver an acceptable level of risk. The Board defines the risk governance framework and sets the overall risk strategy and the Audit Committee reviews the risk management framework and the effectiveness of internal controls particularly with regard to financial controls. This includes reviewing the internal audit programme and related reports to ensure that all key mitigating controls are being periodically reviewed and where issues are identified that they are being addressed on a timely basis. Assurance on broader risk controls is provided by a combination of internal management information, internal audits, external audits and Board oversight. There is also an externally supported whistleblowing facility.

The management of risk is embedded in our everyday business activities and culture, with all our employees and contractors having an important role to play. The diligence applied by our workforce to consider risk is reflected in business cases which are submitted for approval by management and the Board. Ongoing projects have risks reported on a regular basis.

Principal risks

The Group faces a number of risks that may adversely affect our strategic and business objectives, operations, liquidity, financial position, reputation or future performance, not all of which are wholly within our control or known to us. Some such risks may currently be regarded as immaterial and could turn out to be material. Some risks are external so we can only reduce the potential impact, while other risks can be mitigated by reducing both probability and impact. We accept that risk is an inherent part of doing business. We manage the risks based on a balance of risk and reward determined through careful assessment of both the potential probability and impact as well as risk appetite. Risk appetite is considered as part of the compilation of business cases, annual business plan and budget and long range business plan. There will be a balance of risk and opportunity considered as we take our investment decisions. We consider reputational as well as financial impact, recognising the value attributable to our brand. The Group faces a number of ongoing operational risks including damage to satellites and ground network operations, litigation, credit and foreign exchange risk and the risks associated with dealing with tax authorities in multiple jurisdictions. The importance of these risks will vary over time and will be kept under constant review. Although many of the risks influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are specific to our operations in mobile satellite communications services.

In accordance with the provisions of the UK Corporate Governance Code 2014, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the Viability Statement which can be found on page 59. The Going Concern statement is provided on page 103 in the Directors' Report.

Our principal risks are discussed on the next few pages and are as summarised in the Preliminary Results Statement distributed on 7 March 2019. These have been subject to robust assessment and review. This summary, however, 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.

In identifying the principal risks we have disclosed those risks that we currently consider to be the most significant to the Group at the date of this Annual Report. The principal risks have been updated compared to last year. A new Risk Workshop with the Executive team has resulted in an updated list of principal risks that better describe our risk profile. While the risk list has changed, the risk profile has not changed materially. The risk trend for each principal risk as compared to a year ago has been assessed as either stable, increasing or reducing in size, measured in both net impact and net probability. The principal risks are identified over the next few pages and we have indicated against each risk how it principally relates to our strategic objectives, noting that all risks will impact the strategy to some extent.

Principal risks and uncertainties

We show against each risk how it links to our strategy (see page 14) and the movement of each risk during the year.

Strategic priorities

1. Capture the maximum number of broadband platforms
2. Reposition L-band for new growth
3. Establish our digital platform and business
4. Create a high-performing organisation
5. Transform our operating environment

Movement

- Increased
- No change
- Decreased

Risk	Background and impact	Mitigation	Movement
1. Event leads to sharp reduction of air traffic Link to strategy: 1	There has been a 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 could in turn impact our business. Our customers may ask us to cancel or halt ongoing contracts and it could be difficult to sign new contracts.	We build a broad business portfolio and ensure the company is financially robust and resilient to any sudden sharp downturn in any one of our markets. We will take all possible actions to continue to deliver on existing contracts, to the extent agreed with our customers.	No change

Risk management
continued

Risk	Background and impact	Mitigation	Movement
2. Geo-political risk, political uncertainty including Brexit impact Link to strategy: 1 2 3 4 5	› 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 impact our business and strategy. › 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 ground network or office 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. › 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. › Brexit negotiations outcomes including a no-deal exit could have some impact. › This risk has increased in 2018 because of uncertainties in trade and Brexit negotiation outcomes.	› We ensure the Company is financially robust and resilient to economic downturns and operating a diversified portfolio supports our resiliency. › We continuously review and adapt our strategy in reaction to developing political or economic situations. › We assess and manage new risks such as changes in government, epidemics, natural disasters, etc. that potentially could impact our people and business. › Inmarsat's Brexit committee analyses the impact of the UK Brexit including no-deal scenarios and deploys strategies to minimise possible impact. › The United Kingdom leaving the European Union is not expected to have a significant financial impact 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.	
3. Competition – technology disruption, new entrants and different business plans Link to strategy: 1 2 3	› 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 these market opportunities or fail to meet customer requirements or capacity needs, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment. › 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 which may impact our competitive position. › We may fail to roll out new services including migrating existing customers, which could be due to upgrade costs, or our developments could have delays or cost overruns. › Our competitors may provide better products to the market and at more competitive prices.	› We monitor technology, competitor and market developments. › We develop a broad portfolio of products and services to address customer requirements and opportunities in several markets. This makes us more resilient to adverse developments. › We rely on a close relationship between our customer-facing BUs, our operations team who deal directly with operating new products and services and the engineering and product teams. › We have well-established relationships with partners and signed significant strategic alliance agreements. We work closely with our partners to ensure our services, technology and capacity can meet the demand from our existing and new customers. We invest in new satellites to meet customer capacity demands. We adapt our product and services portfolio to address technological developments. We seek to identify new customers and to migrate existing customers who would benefit from our new services. › We have professional, experienced teams who focus on large scale programmes and we develop close relationships with third parties we use to deliver them. › We critically review our detailed business cases before we proceed and regularly assess our progress against the original business cases. We thoroughly review and approve major development of new services or technology. All significant product and service developments are subject to approval and regular programme reviews to identify critical issues, changes, delivery delays and resolutions, and projected cost against budget. We are able to prioritise investment activity to focus on new requirements if this is felt appropriate. We seek to identify and improve the functionality in existing products. › Inmarsat has formed a new division which concentrates on product life cycle management and the innovation and development of new differentiating products and services. This Product Group brings together all product development activities to ensure a clear focus on identifying and delivering an effective product strategy.	

Risk	Background and impact	Mitigation	Movement
3. Competition – technology disruption, new entrants and different business plans continued Link to strategy: 1 2 3	› We may fail to develop competitive technology and product roadmaps, competitive pricing, to differentiate ourselves, to obtain applicable licences or fail to deliver on or have delays in our contracts. Products may become obsolete. We may fail to enable or incentivise our distribution partners enough so they choose to sell our competitors' products instead. › The risk has increased since a year ago due to increased competition and fast moving technological developments.	› We establish the necessary focused sales and marketing capability to effectively deliver good business opportunities for Inmarsat and its partners. We focus on digital offerings as an additional value add to customers. We are reviewing market opportunities, for example IoT and Big Data, to create new business streams. We are investing in digital services and in differentiated platform and service offerings designed to provide both additional value to our customers and enhance our customer relationships. › We improve the robustness and resilience of our systems and processes by systematic continuous work to improve and document existing processes. Our systems need to be agile to be able to respond to any changing needs and having open network systems enables this agility by us and our wider partners.	Increased
4. Not enough network capacity Link to strategy: 1 2	› 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, or technological difficulties which would impact our ability to generate revenues.	› We liaise closely with third parties across our ecosystem to review requirements and then plan our delivery against these. › Internal approval processes include assessment of available network capacity to serve specific customer needs. › Business units provide pipeline assessment to allow future capacity assessments to be performed. The capacity requirements are compared to the current infrastructure and any predicted unmet demand is used to specify future infrastructure needs. Our systems need to be agile to be able to respond to any changing needs and having open network systems enables this agility by us and our wider partners. › GX5, a new Ka-band broadband satellite, is planned to be launched Q4 2019 and will provide additional capacity over Europe and the Middle East. This will be followed by Inmarsat-6 F1 and F2 that will provide additional L-band and Ka-band capacity in the early 2020's. › In certain geographies, we are able to acquire 3rd party capacity to augment our own networks in a seamless manner.	No change
5. Major operational failure Link to strategy: 1 2 3 5	› We face risks when our satellites are in orbit. Our satellites, our control of them or our network may fail technically or be sabotaged. Our network may not be able to cope with the demand from users. Elements of our ground network may fail or be damaged, which may affect our ability to provide services to our partners and customers. › 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. › The risk has decreased since a year ago because of strengthened resilience in our satellites and ground network.	› We build in a high degree of redundancy in our satellites, constellations and ground network, providing a high level of protection against single points of failure. All customer-facing systems are monitored continuously by sophisticated systems and highly skilled staff who are equipped to respond to operational emergencies. › We buy insurance to compensate for the financial loss in the event a satellite or ground network element is damaged or lost. › We have disaster recovery plans for satellite and network operations which are regularly tested to ensure contingency plans work. › We are focused on ensuring our systems operate with a high degree of cyber security protection which is covered below in a separate risk. › We are careful in avoiding taking on consequential damages in our contracts.	Decreased

Risk management
continued

Risk	Background and impact	Mitigation	Movement
6. Satellite launch failure Link to strategy: 1 2	› 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. › The risk has increased since there were no satellite launches in 2018 but in 2019 we plan to launch our GX5 satellite.	› The risk is reduced by the continued successful cooperation between our space engineering team, satellite manufacturers and launch companies. › We deploy an experienced team to prepare for satellite launches. › We buy insurance to compensate for the financial loss in the event a satellite launch failure.	
7. Protectionism affects our business operations Link to strategy: 1 2 3 4 5	› Growing protectionism including policy changes, sanctions and trade wars could impact our business, including our supply chain and our ability to carry out 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. With rising protectionism, we must especially maintain our ability to do business with governments worldwide via relationships with them. › This risk has increased due to global political changes occuring.	› We continuously review and adapt our strategy in reaction to developing political or economic situations. We assess and manage new risks from political decisions including protectionism that potentially could impact our business. › Inmarsat Government operates with a proxy board to allow it to manage its business in accordance with U.S. requirements and compete effectively for U.S. Government business.	
8. Security risk Link to strategy: 1 2 3 4 5	› 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. There is also a significant risk of aggregated minor risks having an impact on service delivery. Data or IP could be stolen. This could also have consequential impact on our reputation, business plans and operations, and future revenue from risk averse customers/markets.	› We maintain industry-standard security measures, and have increased our investment in state-of-the-art cyber countermeasures and enhanced cyber security operations to improve detection and response to incidences. We achieved ISO 27001 Certification in Q4 2018 and we have now initiated a continuous improvement programme, the progress of which will be independently assessed. We have completed risk assessments on information assets across the Group, and as a consequence, we are deploying appropriate controls. › Through the OneIT project we are building a modern computer infrastructure that enhances protection of critical assets and data. We have ensured our processes are compliant with the GDPR legislation. › We have improved our incident response capability. We have disaster recovery and business continuity plans for important elements of our networks; and these contingency plans are tested regularly.	

Risk	Background and impact	Mitigation	Movement
9. Loss of or failed customer or supplier Link to strategy: 1 2 3	› We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. We have critical GX and FX contracts which require careful management to ensure successful execution. We may not meet customer needs with some declining legacy products. › We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities. We may lose customers due to poor quality service delivery or operations, or fail to keep up with the business needs of our customers. We may fail to roll out new services including migrating existing customers. › A competitor may buy a critical supplier 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 satellite manufacturer or a supplier to the satellite manufacturer, may fail or have serious damage to a production facility that delays the delivery of our satellite. A satellite launch provider may additionally have a launch failure which affects the timing of our planned launches. A competitor may buy a critical supplier or partner. A critical supplier may fail financially or one of their systems may fail. › Relying on some critical customers may increase our financial exposure if they fail to make payments for our services.	› We build strong relationships with all our partners and provide them with excellent services to sell in their markets. We encourage sharing of information and developing ideas through direct meetings with our partners and through our regional and global conferences. We continuously review and refine our pricing, overall offering and terms with our partners. › We monitor market and partner developments and adjust our strategy to mitigate negative developments as well as to explore opportunities. › We continue to improve the reliability of our satellites and services which are critical to our end users. We have simplified our standard contracts and pricing in order to make it easier to do business with us. We promote fair play in our distribution channel and will not promote customer churn. We introduce new services with common technologies and develop more competitive pricing strategies. We continue to broaden our customer base through sales strategies and new service offerings. › We work closely with our suppliers to review programme plans, delivery quality and timing to ensure that they meet our requirements. We have a highly experienced quality assurance team at satellite manufacturing sites to check design and production activities and also at launch sites ahead of our satellite launches. › The Group Procurement department's reviews and actions reduce the risk, for example exploring dual sourcing and assessing suppliers' quality, technical know-how and financial viability. › We can operate in an agile way to seek new satellite launch providers if required, as we did to secure an alternative provider for the delayed S-band satellite launch in 2017. › We have an effective credit management process in place, assessing the credit risk of new and existing customers.	–
10. Spectrum, orbital slots and market access risk Link to strategy: 1 2	› We rely on radio spectrum, which has historically been allocated without charge, to provide our services. We must agree how it is used in coordination with other satellite operators and need to coordinate its ongoing availability. We may not be able to coordinate usage in the future and/or may be charged for the spectrum which could affect our ability to provide services. Channel consolidation may drive down prices and ARPU. › We require orbital slots to place our satellites in the correct position to provide adequate coverage and deliver our services. We may not be able to obtain adequate orbital slots or we may miss deadlines to bring orbital slots into use. › Given the nature of the satellite business it is important to have access to all areas of the globe and provide coverage world-wide. This requires licensing from multiple national authorities. We may not be able to gain these licences for various reasons. Market access may not be allowed in certain countries which restricts our services being offered. We may lose licences after they have been obtained due to non-compliance or legal challenges.	› We regularly improve the efficiency of our spectrum usage through innovation and system enhancement. We also educate and inform regulators and governments as to the unique socio-economic contribution of our mobile satellite services. We work on various World Radio Conference preparatory groups to brief them on the ongoing need for our frequency allocations. › We proactively make ITU filings for orbital slots through several national administrations in order to create opportunities to meet our short and long-term spectrum and orbital slot requirements. › We negotiate with other companies on orbital slots and the ability to achieve better spectrum usage and allocation. › We obtain in-country market access for our distribution channel as far as possible and make any licensing requirements as straightforward as possible for our partners. › We engage with and support regulators to defend our licences.	–

Strategic Report Governance Financial Statements

Risk management
continued

Risk	Background and impact	Mitigation	Movement
11. Financing risk Link to strategy: 1 2 3 5	› 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. › We have never experienced closed capital markets.	› We ensure the Company is financially robust and resilient to economic downturns. The Board has defined and approved a robust financial policy. › We continuously review and adapt our business focus in reaction to developing political or economic situations. Our strengthened forecasting process informs our business focus. › We document and improve our internal processes. › We maintain an ongoing informed dialogue with the investment community.	–
12. Currency risk Link to strategy: 3 5	› 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 costs in GBP, so a significant change in GBP value could impact our business. Some USD rate changes may only have translational effects in our accounts and results.	› We carefully manage and monitor our cash flows, budget and plans and are prepared to make adjustments in case of large currency exchange rates. We are prepared to hedge large contracts and cash flows.	–
13. Loss of people and key skills Link to strategy: 1 2 3 4 5	› 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 who 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.	› We implement our People strategy where we identify key employees, skills and skills gaps to manage human resources effectively and enable delivery of the Company's strategy. We invest in training and development for our employees and develop and implement recruitment strategies to ensure we have people with the skills the Company needs. Our employee value proposition focuses on career development, training and reward to ensure we have an engaged and motivated workforce. › Inmarsat's Brexit committee analyses the impact of the UK Brexit including no-deal scenarios and deploys strategies to minimise possible impact.	–

There are other risks that are either secondary to the Principal risks described above or risks of a long-term nature. These risks include but are not limited to:

- Ethical and compliance risks
- Failed delivery of internal programmes or projects
- Patent infringement
- Restrictions on terminal use because of physical, psychological or social reasons
- Environmental damage from our operations
- Risks from climate change

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 52 to 58 of the Annual Report.

Assessment period

The Directors have determined that a three year period to 31 December 2021 is an appropriate period over which to provide its viability statement. This is the key period of focus within the Group's strategic planning process and it reflects the period over which the Group has reasonable visibility of both customer contracts and product development programmes.

Assessment process

The Long Range Business Plan ('the Plan', or 'LRBP'), which is updated annually, formed the basis for the viability assessment. The Plan, as a matter of routine, takes account of 'business as usual risks' including slower revenue growth, increased operating costs, higher working capital requirements and adverse outcomes to disputed items. In completing the viability assessment, the Plan was tested against a number of severe but plausible principal risk scenarios. The scenarios were determined by considering which of the principal risks to the business outlined previously contribute significantly to the longer term viability of the Company. The following risks were deemed as having the potential to threaten the operational viability of the group:

- **Event leads to sharp reduction of air traffic:** We modelled the impact of materially lower Aviation passenger connectivity growth rates than expected
- **Geo-political risk, political uncertainty including Brexit impact:** We modelled the loss of government revenue due to geo-political events outside the control of the Company
- **Competition – technology disruption, new entrants and different business plans:** We modelled the impact of materially lower growth rates than expected
- **Major operational failure:** We modelled the separate impact of a catastrophic failure to a satellite in each of our I-4, I-5 or GX5 constellations
- **Protectionism:** We modelled the impact of materially lower growth rates than expected
- **Security risk:** We modelled the impact of aggressive cyber-attacks that penetrate our networks and/or key systems
- **Loss of failed customer:** We modelled the impact of the loss of a key customer
- **Spectrum, Orbital slots and Market access risk:** We modelled the impact of our inability to retain appropriate licenses and market access to deliver services to our key markets

Each scenario was tested and the financial impact estimated based upon a combination of internal estimates and data available from external sources. Mitigation strategies were identified and costed in conjunction with internal experts to calculate the net likely financial impact of each scenario in both isolation and if they were to occur concurrently. The Audit Committee reviewed and discussed the process undertaken by management.

Conclusion

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2021.

In reaching this conclusion, the Directors noted that the Group is exposed to particularly high levels of risk when a satellite is launched although this risk is routinely mitigated through launch insurance, for which there is a well-developed market. Once satellites have been successfully placed into orbit, the experience of the last 35 years is that failures are rare, which is due in part to the high levels of redundancy that are routinely built into the satellites and ground network. Looking beyond the risks associated with the satellites and our network the geographical and sector diversification of the Group's operations helps reduce the risk of a loss that might endanger the viability of the Group.

Chairman's introduction to Governance

ANDREW SUKAWATY
CHAIRMAN

> As Chairman I am able to call on a broad and diverse range of skills and experience from all my Directors

We are committed to the highest standards of governance set at the Board level and implemented throughout the Company

The Board approves the Group's governance framework with the Board Committees contributing their specialist focus to key areas such as financial reporting, remuneration policy, internal controls and risk management.

Our governance framework reflects the requirements of the UK Corporate Governance Code ('the Code') and the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 ('the Regulations').

The Financial Reporting Council's ('FRC') 2018 UK Corporate Governance Code puts the relationships between companies, shareholders and stakeholders at the heart of long-term sustainable growth. The Board recognises how the right corporate culture underpins how a company creates and sustains value over the longer term, which is a key element of maintaining a reputation for high standards of business conduct.

In 2018, we engaged with our investors, customers and suppliers on a wide range of sustainability issues for a second time. This exercise provides insight into our relevant business impacts and their effect on our ability to generate and preserve value over the longer term. We believe our continued engagement in this way will foster a deeper more relevant disclosure on key issues affecting our businesses' sustainable prospects whilst reducing less value-relevant disclosures. More information on the 2018 materiality assessment can be found on page 42. As we look forward to the year ahead, we will continue this policy of deeper engagement with all stakeholders to ensure we understand and recognise the needs of our shareholders and stakeholders.

During 2018 there were no changes in Board membership. In January 2019, we were delighted to announce the appointment of an additional female Non-Executive Director, Tracy Clarke, who joined the Board on 1 February. More is provided on this appointment and the proposed re-election of all existing Directors in the Nominations Committee Report on page 72.

As Chairman I am able to call on a broad and diverse range of skills and experience from all my Directors. The blend of experience, nationalities and range of cultural experience within the Board is valuable to us as we fulfil our duties. The diversity already on our Board allows us to be culturally aware and respond where there are areas which need greater focus. Succession planning for the Non-Executive Directors remains a key focus for the Nominations Committee and the Board. We will review the size and composition of the Board over 2019. The Board will consider this year the recommendations in the FRC's report about Chair succession planning and start the process for this search.

We hope the information in this Report will help you to understand how your Board runs the Company, manages risks, monitors internal controls, and how decisions taken over the year have been made.

ANDREW SUKAWATY
CHAIRMAN

18 March 2019

Governance at work

This section of the Annual Report summarises how we manage the Company to meet the needs of the business and our stakeholder responsibilities

The Board is committed to the highest standards of governance and it does this whilst being responsible for the overall conduct of the Group's business and by providing leadership and guidance.

Board activities in 2018

- Reviewed the Group's strategy in relation to technology capabilities; approved investment in future ground networks to support new satellites being built and investments in key operating systems to improve billing and IT infrastructure to benefit customers and employees
- Discussed the Group's capital structure and took the decision to reduce the dividend payment
- Discussed the conditional proposal from EchoStar to reach a decision on how to respond
- Discussed the Nomination Committee's recommendations for re-election of existing Directors and the appointment of an additional Director
- Received feedback from the extensive engagement programmes with major shareholders regarding their response to the dividend reduction, share price performance and remuneration consultation

For more information please see Role of the Board on page 68

Leadership

In this section
This section provides an overview of the Board and how it and its Committees work together. Details of the type of activity considered by the Board and also some of the core responsibilities for certain Directors are also explained. As part of the external Board evaluation process, the Directors are asked to consider a wide range of discussion areas and there are comments from the review within this Report.

Why this is important
It is important to have strong leadership from the Board as a whole to support the Executive Directors and management in their day-to-day running of the business. The Board supports an open and transparent culture which is endorsed by the Executive Directors and the Executive Management Team.

See pages 67 to 71

Accountability

In this section
The work of the Audit Committee extends and expands as the number of new auditing and governance requirements grows.

Why this is important
Two of our Board Committees have responsibility for oversight of our telecoms regulatory requirements and audit reporting. These are significant areas of focus for our business and it is important for stakeholders to know that this is recognised at the highest level in the Company. It is critical to know that there is a process of accountability running throughout the Company with good processes in place and defined levels of responsibility.

See pages 75 to 79

Effectiveness

In this section
In the Report from the Nominations Committee Chairman, we reflect on the elements of how the Board is made up, how we plan to ensure success in the future and how we make sure on an annual basis that we are being held accountable to each other as Board members and also to our stakeholders.

Why this is important
Having an effective and contributing diverse Board, with the right skills, experience and willingness to contribute to the Company's culture, is very important to our success as a company and therefore to our stakeholders. It is incumbent on the Board to make sure that it is diligent in its succession planning – at Board level and also contributing to what happens at the Executive Management Team level and understanding succession planning generally.

See pages 72 to 74

Remuneration

In this section
This section of the governance report provides a review of what remuneration has been paid to Executive Directors in 2018 and what is intended to be paid in 2019 (called the implementation report) and how we have structured a new Remuneration Policy following extensive shareholder consultation. Shareholders are asked to vote at the AGM annually on the implementation report, and in 2019, on a new Remuneration Policy.

Why this is important
Our Remuneration Committee carries the responsibility to deliver a clear articulation of our Remuneration Policy and consider this in the context of the pay arrangements for all our employees. It is important for stakeholders to understand how remuneration is determined and that the appropriate links between remuneration, strategy, risk and our KPIs are made.

See pages 81 to 101

Board of Directors

The right balance of skills

BOARD COMPOSITION

- Executive 2
- Non-executive 11

BOARD TENURE

- 0–3 years 3
- 4–8 years 7
- 9+ years 3

BOARD MEMBERS BY GENDER

- Male 10
- Female 3

BOARD NATIONALITY

- UK 6
- U.S. 4
- Mali 1
- New Zealand 1
- Netherlands 1

BOARD EXPERIENCE

Regulatory	Developing economies
Corporate finance	Manufacturing
Government	Cyber security
Telecommunications	Tax
Technology	Mergers and Acquisitions
Financial management	Digital

1

2

1. ANDREW SUKAWATY
CHAIRMAN

Dates of appointments
Chairman, January 2015;
Executive Chairman, January 2012 – December 2014;
Executive Chairman and CEO, March 2004 – December 2011;
Chairman December 2003

Background and relevant experience
Andy was the Senior Independent Director of Sky PLC until his resignation in October 2018. He was previously Chairman of Ziggo N.V., Xyratex Technologies and Telenet and also Deputy Chairman of O2 PLC. He has also been an advisor to Apax Partners and Warburg Pincus. He has previously been Chief Executive Officer and President of Sprint PCS, a NYSE listed global national wireless carrier and Chief Executive Officer of NTL Limited. He has also held various management positions with US West and AT&T and been a Non-Executive director on various listed companies. Andy holds a BBA and MBA respectively from the University of Wisconsin and Minnesota.

External appointments
Director of RELX plc;
Chairman of Hg Capital USA.

2. RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

Dates of appointments
Executive Director, July 2011;
Chief Executive Officer, January 2012

Background and relevant experience
Rupert has been Inmarsat's Chief Executive Officer since January 2012. He joined Inmarsat in January 2005 and between then and 2011, he was General Counsel and Senior Vice President, Inmarsat Enterprises. Previously, Rupert was a partner in Atlas Venture, a leading transatlantic venture capital investment boutique, specialising in the IT, communications and biotech sectors. Before Atlas Venture, he was also a partner at the international law firm Linklaters, specialising in corporate finance, mergers & acquisitions and private equity transactions. Rupert received an MA (First Class) in Modern History from Oxford University and won the 1995

COMMITTEE MEMBERSHIP

- □ Nominations Committee
- △ Telecoms Regulatory Committee
- ○ Audit Committee
- ◇ Remuneration Committee
- ■ Denotes Chairman

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Fullbright Fellowship in U.S. securities law, studying at the Georgetown Law Center. He has been a visiting fellow of the Imperial College Business School, London lecturing on the school's Entrepreneurship programme, and is the co-author of 'Raising Venture Capital' (Wiley).

External appointments
Member of the Board of Directors of the EMEA Satellite Operators Association ('ESOA'); Commissioner on the Broadband Commission for Digital Development; Member of the Steering Committee of the Smart Africa Initiative.

3. TONY BATES
CHIEF FINANCIAL OFFICER

Dates of appointments
Executive Director and Chief Financial Officer, June 2014

Background and relevant experience
Tony previously held the roles of Group CFO of Yell Group Plc (hibu Plc), Group CFO and then COO of Colt Group S.A. and Group Finance Director at EMI plc. Tony holds a First Class Honours degree in Management Sciences from the University of Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments
None.

4. SIMON BAX
INDEPENDENT NON-EXECUTIVE DIRECTOR ◆

Date of appointment
June 2013

Background and relevant experience
Simon Bax was, from 2008 – 2013, the Founder and CEO of Encompass Digital Media Inc, which provides technical services to broadcasters, cable networks and government agencies. He previously served as CFO and Executive Vice President of Pixar Animation and CFO and President of Studio Operations of Fox Filmed Entertainment. Mr Bax holds an honours degree in History from Cambridge University and is a chartered accountant.

External appointments
Chairman of Archant Limited; Non-executive director and Chairman of the Audit Committee of Channel 4.

5. SIR BRYAN CARSBERG
NON INDEPENDENT NON-EXECUTIVE DIRECTOR △

Date of appointment
June 2005

Background and relevant experience
Sir Bryan is a Chartered Accountant. He served eight years as Director General of the Telecommunications (head of Oftel), and then served as Director General of Fair Trading and Secretary General of the International Accounting Standards Board. He was previously Chairman of the Council of Loughborough University, a non-executive director of Cable and Wireless Communications plc and RM plc; and a non-executive Chairman of MLL Telecom Limited. He was knighted in January 1989. Sir Bryan is an Honorary Fellow of the Institute of Actuaries and holds an MSc (Econ) from the University of London.

External appointments
Non-executive director of Actual Experience plc.

6. TRACY CLARKE
INDEPENDENT NON-EXECUTIVE DIRECTOR ◇

Date of appointment
1 February 2019

Background and relevant experience
Tracy has over 30 years' experience in a range of international roles at Standard Chartered Bank PLC, and is currently Regional CEO, Europe and Americas and CEO, Private Bank. Her previous senior roles at Standard Chartered Bank include Group Head Corporate Affairs, Group Head Human Resources, and Director, Legal and Compliance. Tracy has previously held Non-Executive Director positions at Sky plc and eaga plc.

External appointments
Board member at TheCityUK and Non-Executive Director at England Netball.

7. WARREN FINEGOLD
INDEPENDENT NON-EXECUTIVE DIRECTOR ○ ◇

Date of appointment
August 2017

Background and relevant experience
Warren was previously a member of the Vodafone Group Executive Committee for over 10 years, and for most of that time he was Group Strategy and Business Development Director. Before that, Warren was a Managing Director of UBS Investment Bank where he was Head of the Technology Team in Europe; previously he was an Executive Director at Goldman Sachs International in New York and London focusing on mergers and acquisitions and raising capital. Warren holds an MA in Philosophy, Politics and Economics from Oxford University and a Master's degree in Business Administration from London Business School.

External appointments
Senior Independent Director of Avast plc.

8. GENERAL C. ROBERT KEHLER (RTD)
INDEPENDENT NON-EXECUTIVE DIRECTOR □ ◇

Date of appointment
May 2014

Background and relevant experience
General Kehler retired from the U.S. Air Force in January 2014 with over 38 years of service. He oversaw a global network of satellite command and control, communications, missile warning and launch facilities, and ensured the combat readiness of America's intercontinental ballistic missile force. Over his career, he served in a variety of important operational and staff assignments, and successfully led large organisations with global responsibilities.

External appointments
Non-executive director of MAXAR Technologies; Trustee of the Mitre Corporation; Director of Monocle Acquisition Corporation; Acts as Special Advisor to two U.S. organisations.

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Board of Directors
continued

COMMITTEE MEMBERSHIP
- □ Nominations Committee
- △ Telecoms Regulatory Committee
- ○ Audit Committee
- ◇ Remuneration Committee
- ■ Denotes Chairman


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9. PHILLIPA McCROSTIE
INDEPENDENT NON-EXECUTIVE DIRECTOR ○ ◇

Date of appointment
September 2016

Background and relevant experience
Phillipa ('Pip') was a member of EY's Global Executive Board for eight years until her retirement in June 2016. Pip was also Global Head of Corporate Finance. She transformed Corporate Finance into a business with revenues exceeding $3bn during the global recession. Her responsibilities included P&L, strategy, investment, people development and risk. Pip led the acquisition and integration of Parthenon, a global strategy consulting business. Pip has deep experience of international M&A and tax and is a qualified lawyer.

External appointments
Non-Executive director and member of the Nomination Committee and Audit Committee of Marks and Spencer Group plc; Member of the Board of Peterson Institute of International Economics and Chair of its Audit Committee; Senior advisor to EY's Global Executive and a regular contributor on business issues to CNBC, CNN, Bloomberg and Reuters.

10. AMBASSADOR JANICE OBUCHOWSKI
INDEPENDENT NON-EXECUTIVE DIRECTOR ○ △

Date of appointment
May 2009

Background and relevant experience
Janice held several senior positions both in the US government and in the private sector. She was formerly Head of Delegation and US Ambassador to the World Radiocommunication Conference, Assistant Secretary for National Telecommunications and Information Administration ('NTIA') at the U.S. Department of Commerce and Senior Advisor to the Chairman at the Federal Communications Commission ('FCC'). Earlier in her career she also led international government affairs for NYNEX (now Verizon) and practised private sector antitrust law.

External appointments
President of Freedom Technologies Inc.; Non-Executive director of CSG Systems, Inc.

11. DR ABE PELED
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR ■

Date of appointment
June 2013

Background and relevant experience
Abe was Chief Executive Officer of NDS Group plc from 1995 – 2012, a digital pay-TV technology company, and served as Chairman and Chief Executive Officer from 2004 – 2012. He was Senior Vice President of Cisco from August 2012 – January 2014 and has previous senior management experience with IBM and Elron. Abe has a BSc and MSc in Electrical Engineering and a PhD in Digital Signal Processing. In March 2013, Dr. Peled is a Life Fellow of IEEE, and was awarded the Lifetime Achievement Award by Digital TV Europe.

External appointments
Partner of CyberCloud Ventures; Senior advisor on technology businesses to Permira; Chairman of TeamViewer GmbH; Chairman of Synamedia Ltd.

12. ROBERT RUIJTER
INDEPENDENT NON-EXECUTIVE DIRECTOR ●

Date of appointment
February 2015

Background and relevant experience
Rob served as Chief Financial Officer of VNU N.V., a publicly listed marketing and publishing company (now the Nielsen company) between 2004 and 2007. He previously served as the Chief Finance Officer of KLM Royal Dutch Airlines from 2001 until its merger with Air France in 2004, and as Chief Finance Officer of ASM International N.V. a publicly listed manufacturer of electronic components. Rob is a Certified Public Accountant in the United States and in The Netherlands and a member of the ACT in the UK.

External appointments
Member of the Supervisory Board and chair of the audit committee at Wavin N.V.; Non-Executive director and chair of the audit committee at Interxion N.V. (NYSE); Member of the Supervisory Board of NN Group N.V.; Member of the Continuity Foundation of ASMI NV.

13. DR HAMADOUN TOURÉ
INDEPENDENT NON-EXECUTIVE DIRECTOR □ △

Date of appointment
March 2015

Background and relevant experience
Hamadoun was Secretary General of the International Telecommunication Union ('ITU'), the specialised information and communication technologies agency of the United Nations from 2007 – 2014. He was a member of the UN Chief Executive Board and served as Chairman of the UN ICT Network. He was the founding member of the Broadband Commission for Digital Development and served as co-vice chair until his retirement from ITU. He was a member of the Advisory Board of the International Multilateral Partnership Against Cyber Threats ('IMPACT') until Dec 2014. He has also had a distinguished career in the satellite industry. Hamadoun holds a Master's Degree in Electrical Engineering from the Telecommunications Institute of St. Petersburg (Russian Federation) and a PhD in Electrical Engineering from the University of Informatics and Telecoms of Moscow (Russian Federation).

External appointments
Founding Executive Director of Smart Africa (January 2016 – March 2019); Member of the Board for Sustainable Development Goals Center for Africa by the United Nations; He was a non-executive Board Member, TELKOM South Africa from January 2016 – August 2018. Chairman PMP on Cyber Security and Cyber Peace at the World Federation of Scientists ('WFS'), Member of the Swedish Royal Academy of Science ('IVA').

14. ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

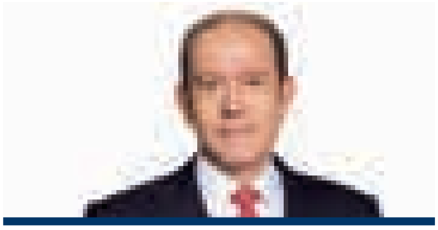
Date of appointment
February 1999

Background and relevant experience
Alison joined Inmarsat in 1999 and is responsible for risk, compliance and corporate governance across the Company. She acts as Company Secretary to the Board and its Committees. She is a member of the Executive Management Team and Chairman of the Trustee Company for the Inmarsat UK pension plans. Alison manages our operations in India and China and also the corporate marketing team. She was Group Company Secretary of International Public Relations plc, a worldwide public relations company, for 11 years prior to joining Inmarsat. Alison is a Fellow of the Chartered Secretaries and Administrators.

Executive management team

Supporting the development of Inmarsat as a high-performing company and a focus on culture are key elements of this team's responsibilities


1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1. RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

Details shown previously on page 62

2. PHILIP BALAAM
PRESIDENT, AVIATION

Tenure
3 years

Responsibilities
Phil is responsible for delivering the Aviation Business Unit's business plan in line with its growth strategy. This includes secure cockpit communications, business aviation and commercial airline cabin connectivity.

Previous roles include
Inmarsat Chief Strategy Officer (2016 – 2017); Asiasat VP, Strategy, Business development and Sales (2011 – 2016); Arianespace Sales Director and various roles (1998 – 2011).

3. TONY BATES
CHIEF FINANCIAL OFFICER

Details shown previously on page 63

4. TRUDY COOKE
GROUP GENERAL COUNSEL

Tenure
>1 year

Responsibilities
Trudy brings extensive international legal, M&A and management experience. She has worked for over 20 years, first as a corporate lawyer and then more recently as the Chief Operating Officer and member of the Executive Board at a leading international private equity investment firm in London.

Trudy is responsible for managing Inmarsat's Legal and Regulatory risks and for providing Legal, Regulatory and Strategic services to the Company.

Previous roles include
Terra Firma, various roles including Chief Operating Officer and Group General Counsel (2004 – 2018), Lovells (2000 – 2004), Osborne Clarke (1995 – 2000)

5. NATASHA DILLON
CHIEF PEOPLE OFFICER

Tenure
2 years

Responsibilities
Natasha is responsible for creating and implementing Inmarsat's people strategy, including developing excellent leadership, building an effective and capable organisation, delivering a compelling employee value proposition for our people and driving strong performance.

Previous roles include
Korn Ferry Hay Group, Senior Client Partner (2015 – 2016); Hay Group, Associate Director (2012 – 2015); Ernst and Young, Senior Manager/Manager (2010 – 2012); BP, various commercial and HR roles (1997 – 2009).

6. PAUL GUDONIS
PRESIDENT, ENTERPRISE

Tenure
12 years

Responsibilities
Paul leads the Inmarsat Enterprise Business Unit, which is responsible for land-based sectors including agriculture, aid and NGOs, energy, mining, media, and transport and logistics. Since he started in his role in 2016, Paul has moved the focus of the Business Unit towards delivering transformational business outcomes through managed services and the Industrial Internet of Things ('IIoT'). With over 10 years of experience in Inmarsat, Paul is regularly invited to comment on industry news and to speak at events, and is viewed as a thought-leader for the global application of Industrial IoT technology.

Previous roles include
Inmarsat Maritime (2012 – 2015), Inmarsat Global Account Manager (2007 – 2012), British Army (1997 – 2007).

Executive management team
continued


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7. PETER HADINGER
CHIEF TECHNOLOGY OFFICER

Tenure
8 years

Responsibilities
Peter became CTO in 2018. He leads the engineering teams responsible for delivering Inmarsat's future satellites, network infrastructure, terminal technologies and spectrum resources. CTO delivers the differentiated and reliable global communications capabilities that make a difference in the lives of our customers and ensure that Inmarsat remains a leader in enabling the connected world.

Previous roles include
Inmarsat, President U.S. Government Business Unit (2013 – 2018); Inmarsat, VP GX Government (2011 – 2013); TRW Northrop Grumman Space, Leadership roles in Engineering and Business Development (1981 – 2011).

8. ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

Details shown previously on page 64

9. TODD McDONELL
PRESIDENT, GLOBAL GOVERNMENT

Tenure
6 years

Responsibilities
Todd became president in 2018 and is responsible for leading and driving Inmarsat's government business in all regions of the world outside of the USA. This includes developing strategies that deliver greater operational capability to governments and providing holistic solutions that meet government telecommunications requirements.

Previous roles include
Inmarsat, VP Global Government Solutions 2013 – 2018; TC Communications, CEO 2003 – 2013.

10. SUSAN MILLER
PRESIDENT AND CEO – INMARSAT GOVERNMENT, INC.

Tenure
5 years

Responsibilities
Susan is responsible for: defining and implementing the overall strategy of expanding Inmarsat's leadership position across U.S. defense, intelligence, homeland security and civilian organizations. Delivering innovative customized, secure communication capabilities to land, maritime and aero users, meeting mission-critical connectivity needs around the world. Their business manages a robust partnership programme that includes working with best-of-breed channel partners to deliver Inmarsat's reliable satellite communication services and solutions to U.S. government end users worldwide.

Previous roles include
MTN Satellite Communications, Executive VP, Strategy and Corporate Development (2012-2013); Spacenet Integrated Government Solutions, Inc., CEO (2009 – 2012); SkyTerra, Inc., Senior VP, Satellite Services (2007 – 2009); Intelsat General Corp., President and Chairman of the Board (2002 – 2006).

11. JASON SMITH
CHIEF OPERATIONS OFFICER

Tenure
2 years

Responsibilities
Jason is responsible for Inmarsat's global operations and service delivery, including the satellite fleet and ground network, business and IT systems, business transformation programmes, global service delivery and distribution, assuring the quality of service and customer experience excellence.

Previous roles include
Rolls-Royce: President Nuclear/COO Nuclear/ President Submarines (2009 – 2015); AWE: Deputy Managing Director/Programme and Business Management Director (2000 – 2009).

12. RONALD SPITHOUT
PRESIDENT, MARITIME

Tenure
7 years

Responsibilities
Since the end of 2014, Ronald has been responsible for Inmarsat's Maritime Business and its global commercial strategy and execution in Merchant Marine, Offshore Energy, Fishing, Passengers and Leisure markets. Based on a strategy of customer intimacy and channel engagement the Maritime Business Unit is effectively driving themes of 'Digitalisation at Sea' and 'the Connected Vessel' to deliver long-term sustainable growth for Inmarsat in the sector.

Previous roles include
Inmarsat, President Enterprise Business (2012 – 2104); Stratos Global, Senior Vice President Global Marketing and Sales (2006 – 2011).

Tenure denotes time with Inmarsat and does not include service with companies acquired by Inmarsat.

Leadership

Overall summary statement on governance

The Company is committed to the highest standards of governance. The Directors consider that the Company has, throughout the year, complied with the provisions of the 2018 UK Corporate Governance Code save as noted below.

During 2018, Andrew Sukawaty was Chairman. He did not meet the independence criteria on appointment as he had previously been an Executive Director. Although the Code recommends that the Chairman is independent on appointment, the Board unanimously believes that his wide experience means that he remains extremely well qualified to lead the Company as its Chairman and has the skills and experience to ensure that the Board continues to function effectively. Andrew Sukawaty has also been in post beyond the advisory nine years due to the time served as executive Chairman. With the recent FRC guidelines regarding the recommendation that Chairs should retire after nine years, during 2019, the Board and the Nominations Committee will start the process to seek a new Chair. To support succession planning the Board supports his continued service as Chairman. Our Senior Independent Director, Dr Abe Peled, was appointed to this position in November 2015 and plays a key role within the Company on any matters which may be raised of a governance nature. Last year, we advised shareholders that Sir Bryan, due to his tenure is no longer considered independent, however the Board recommends him too for re-election. Sir Bryan remains valuable to support the Company's strategic objectives.

The Board recognises the recommended term within the Code and will transition the longer-serving Directors. We added a new Director to the Board in 2019 which means that out of the now 10 Non-Executive Directors (excluding the Chairman), only one is classed as non-independent by the Board. A copy of the UK Corporate Governance Code can be found at frc.co.uk.

How the Board operates

To ensure effective governance, the Board has structured its governance framework as set out below.

The Board has established Committees to assist it in exercising its authority. The permanent Committees of the Board are the Audit, Remuneration, Nominations and Telecoms

Board committees

CHAIRMAN: ANDREW SUKAWATY

Key objectives:
- Leadership, operation and governance of the Board
- Setting the agenda for the Board

INMARSAT PLC BOARD

13 Directors: two Executive Directors, the Chairman, one Non-Independent Non-Executive Director and nine Independent Non-Executive Directors

Key objectives:
- Responsible for the overall conduct of the business; setting strategy and a positive culture

AUDIT COMMITTEE

Chairman: Robert Ruijter

Key objectives:
- Oversight and review of financial and operational risk management, audit and internal control issues

REMUNERATION COMMITTEE

Chairman: Simon Bax

Key objectives:
- Oversight and review of remuneration, bonus and share plan issues

NOMINATIONS COMMITTEE

Chairman: Dr Abe Peled

Key objectives:
- Oversight and review of Board and senior management appointments and succession planning

TELECOMS REGULATORY COMMITTEE

Chairman: Andrew Sukawaty

Key objectives:
- Oversight of key regulatory challenges

CHIEF EXECUTIVE

CEO: Rupert Pearce

Key objectives:
- Management of the overall business
- Implementation of strategy and policy

EXECUTIVE MANAGEMENT TEAM

Chairman: Rupert Pearce

Key objectives:
- To focus on strategy, financial performance, culture, succession planning, business growth, organisational development and adherence to Group-wide policies

Leadership
continued

Regulatory Committees. Each Committee has Terms of Reference under which authority is delegated by the Board. Copies can be found on our website at inmarsat.com. Reports of the Committees can be found on pages 72 to 101.

Role of the Board

Our Board is responsible for the overall conduct of the Inmarsat Group's (the 'Group') business. It is the primary decision-making body for all material matters affecting the Group. It provides leadership and guidance and sets our strategic direction.

Our Board is ultimately accountable to the shareholders for:

- being responsible for the long-term success of the Company, having regard for the interests of all stakeholders
- being responsible for ensuring the effectiveness and reporting on our system of governance and
- the performance and proper conduct of the business and ensuring a positive culture is supported

Responsibility for developing and implementing strategy within the Group's operations and for day-to-day management of the business is delegated to the Chief Executive Officer who, as the head of the Executive Management Team, cascades this responsibility through the Group. The CEO is empowered by the Board to handle all business activities up to a designated level of authorisation and to report to the Board for guidance, support and approval on other matters which require Board input. A list of the members of the Executive Management Team is provided on pages 65 and 66.

A formal schedule of matters specifically reserved for decision or consideration by the Board as a whole has been agreed by the Directors. This schedule covers areas such as:

- the Group's business strategy and long-term plans
- major capital projects
- significant capital structure changes
- investments and
- acquisitions and divestments

The Board has an annual rolling plan of items for discussion which is reviewed formally at Board meetings and adapted regularly to ensure all matters reserved for the Board, with other items as appropriate, are discussed. There is an established procedure for the review of the agenda between the Chairman, Executive Directors and Company Secretary in advance of each Board meeting. At each Board meeting there is a detailed report on current trading from the Chief Executive and Chief Financial Officer and detailed papers are provided on matters where the Board will be required to make a decision or give approval. Where appropriate, specific responsibilities are delegated to Board Committees or to committees convened for special purposes.

In 2018 we focused our attention on the following key areas:

Strategy review and development:

- Attended a focused Group strategy day, in addition to the regularly occuring strategy discussions with members of the Executive Management Team and other senior executives, to consider key strategic priorities and the market environment
- Discussed and approved the Group strategy
- Received regular strategy and business development reports from the CEO and other senior management at each Board meeting
- Reviewed strategic objectives and updates on the operational performance for the Group's key business areas
- Received reports on technology and innovation and related industry developments
- Reviewed Group risk and cyber security as part of the discussion on strategy
- Received detailed competitive assessments of traditional and disruptor technology companies
- The appointment of a new Group General Counsel with the overall responsibility of Group Strategy

Ensuring appropriate financial and operational management:

- Received and discussed reports from the CEO on the performance of the Group's operations
- Received and discussed regular reports on the Group's financial performance
- Approved financial announcements for publication
- Discussed the annual budget and long range business plan
- Reviewed and approved the changes to the Company's dividend policy, recommendations and payments thereof
- Discussed the Group's capital structure and completed a new RCF facility
- Reviewed reports from the Company's corporate brokers following meetings with shareholders and executive management

Implementing governance and ethics and monitoring risk:

- Assessed the risks faced by the Group and received updates on internal controls
- Reviewed regular reports on legal and compliance matters from the Company Secretary
- Received reports from the Board Committee Chairmen
- Received reports in the implementation of GDPR
- Held individual Director meetings with an external evaluator as part of the Board evaluation process, the outcome of which was discussed at the January 2019 Board meeting
- Reviewed the Directors' Conflicts of Interest procedures
- Discussed the additional focus on s172 reporting and other outputs from the revised Governance Code and FRC reporting

Workplace reviews:

- Received an annual health and safety report covering activity across the Group as well as a report on emissions from the Company's largest sites
- Received regular updates from the CEO about reorganisation and restructuring activity taking place
- Received a detailed update regarding new People policies being introduced in the Company including improved training capabilities for all employees, succession planning and identification of high performing individuals

Special business:

- Received multiple presentations on the aviation business with a specific focus on In-Flight passenger Connectivity and associated capex and opex costs
- Spent dedicated time to review the maritime business to understand the performance and competitive impacts
- Reviewed the Group's capital funding structure
- Approved investment in the modernisation of a multi-year programme to change the billing and IT capabilities across the Group

Independent Non-Executive Directors

The diverse experience and backgrounds of the Non-Executive Directors ensures that they can provide a strong independent element on the Board, debate and constructively challenge management both in relation to the development of strategy and review of the Group's operational and financial performance.

KEY ROLES AND RESPONSIBILITIES

The Chairman – Andrew Sukawaty
The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

- effective leadership, operation and governance of the Board
- ensuring the effectiveness of the Board
- setting the agenda, style and tone of Board discussions and
- ensuring Directors receive accurate, timely and clear information

The Chief Executive Officer – Rupert Pearce
The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

- the development and implementation of the business strategy
- the day-to-day management of Inmarsat's operations and its financial results
- recommending the strategic objectives for the Inmarsat Group, for debate, challenge and approval by the Board
- ensuring we meet the milestones for our key programmes with a priority to target revenue growth and deliver enhanced returns to shareholders and
- chairing the Executive Management Team

Mr Pearce is the Board sponsor for environmental and social governance, community investment, and other corporate social responsibility matters, as well as responsibility for Health and Safety. These elements have been included as part of his annual objectives.

The Senior Independent Director – Dr Abe Peled
The Senior Independent Director is responsible for:

- acting as a sounding board for the Chairman
- serving as an intermediary for the other Directors
- reviewing the Chairman's performance with the Non-Executive Directors
- being available as an alternative channel to discuss issues or concerns from our shareholders where they have been unable to resolve them through existing channels for investor communications and
- convening regular meetings of the Non-Executive Directors

The Company Secretary – Alison Horrocks
The Company Secretary acts as Secretary to the Board and its Committees and in doing so she:

- assists the Chairman in ensuring that all Directors have full and timely access to all relevant information
- assists the Chairman by organising induction and training programmes
- assists the Chairman with the annual Board evaluation procedure
- is responsible for ensuring that the correct Board procedures are followed and advises the Board on governance matters and
- administers the procedure under which Directors can, where appropriate, obtain independent professional advice at the Company's expense (no requests for external professional advice were received during the year)

To determine their independence, all Non-Executive Directors are reviewed by the Nominations Committee annually against any circumstances relevant to their current or ongoing independence as set out in the Code and recommendations are made to the Board for election or re-election.

Executive Management Team

The Chief Executive chairs the Executive Management Team which meets on a monthly basis for generally 1.5/2 days. As part of its remit, this team focuses on the Group's strategy, financial reviews and long range business planning, the competitive landscape, strategic updates from all areas of the business, risk reviews, culture, learning and development and organisational development. It has regular executive development days. The Executive Management Team includes the Executive Directors, the Business Unit Presidents and the key functional heads. The names of the Executive Management team are shown on pages 65 and 66.

Governance and conduct of Board meetings

Our Board meets as often as necessary to effectively conduct its business. During 2018, the Board met eight times, with one of those meetings being held over two days in Washington DC and another held over two days in The Hague, Netherlands. The meetings in local offices provide the Board with greater insight into our local business operations, and an opportunity for interaction with employees. This helps the Board develop deeper insights into the quality of our current senior management and the potential for succession in the next generation of managers.

Key management are invited to attend all Board meetings to present on specific business issues which will include an operations update from each of the Business Units and central services divisions, covering commercial, technology and operational matters. Unscheduled supplementary meetings also take place as and when necessary, for example the calling of Defence Committee meetings regarding the conditional proposal from EchoStar and the need of the Board generally to be available to provide timely inputs and decisions. At each regular Board meeting, the Chief Executive Officer and Chief Financial Officer provide reports to the Board. The Board is regularly given exposure to the next layer of management at the Executive Management Team level and often to their direct reports. This is helpful to the Board as it provides it with additional insight into internal talent and provides additional inputs when discussing for

Leadership
continued

management succession. Strategy sessions are attended by several senior executives. Elements of the business strategy and business development are reviewed as appropriate at each Board meeting throughout the year ensuring that all Directors are kept up to date with discussions and activities. All Committee Chairmen report verbally on the proceedings of their Committees at the next Board meeting. Meeting proceedings and any unresolved concerns expressed by any Director are minuted by the Company Secretary.

In instances where a Director is unable to attend Board or Committee meetings, any comments which he or she may have arising out of the papers to be considered at the meeting are relayed in advance to the relevant Chairman or the Company Secretary who would then report to the Board or Committee thereon.

The Senior Independent Director will convene meetings with the Non-Executive Directors at least annually and on an ad-hoc basis as required to discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate. During 2018, these meetings were held more regularly and also discussed the FRC reporting guidelines regarding Chair succession. The Chairman will attend these meetings but will not be in attendance where there is discussion about his own performance or succession.

Indemnification of Directors
Directors' and Officers' insurance cover has been established for all Directors and Officers to provide cover against their reasonable actions on behalf of the Company. In accordance with our Articles of Association and to the extent permitted by the laws of England and Wales, Directors, the Company Secretary and certain employees who serve as directors of subsidiaries at the Group's request have been granted indemnities from the Company in respect of liabilities incurred as a result of their office. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently. No amount has been paid under any of these indemnities during the year.

Conflicts of interest
The Company has in place procedures for managing conflicts of interest and is aware of any potential conflict through an annual review of the other commitments of its Directors. We are satisfied these commitments do not conflict with their duties as Directors of Inmarsat. During the year, where there were agenda items being raised for discussion which could have the perception of a conflict of interest for the individual Director, these were discussed at the relevant Board meeting and agreed in each case there were no conflicts of interest identified. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his/her duty under company law. As noted above and as happens in practice, should a Director become aware that they have an interest, directly or indirectly, in an existing or proposed transaction with the Company, they are required to notify this to the Company Secretary. Directors have a continuing duty to notify any changes to their conflicts of interest and to their external Board commitments to the Company Secretary and any changes are noted in the conflicts register.

Board meeting attendance
The attendance of the Directors at the Board meetings held in 2018 is shown in the below table. Attendance at Committee meetings is shown in the relevant Committee reports.

Number of scheduled Board meetings held and meeting attendance in 2018

	Meetings	Percentage attendance
Andrew Sukawaty (Chairman)	8/8	100%
Rupert Pearce	8/8	100%
Tony Bates	8/8	100%
Simon Bax	8/8	100%
Sir Bryan Carsberg	8/8	100%
Warren Finegold	8/8	100%
General C. Robert Kehler (Rtd)	8/8	100%
Phillipa McCrostie	8/8	100%
Dr Abe Peled	8/8	100%
Janice Obuchowski	8/8	100%
Robert Ruijter	8/8	100%
Dr Hamadoun Touré[1]	6/8	75%

1 Dr Touré missed two Board meetings due to time taken to put his candidature forward to become President of the country of Mali. The Chairman gave him permission to miss the meetings and briefed him regarding the meetings he had not been able to participate in

Risk management process
An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 52 to 58 in the Strategic Report. The Board has responsibility for managing risk and although the Audit Committee has responsibility for the risk management process the Board does not delegate overall responsibility for risk to either the Audit Committee or management.

There has been additional work undertaken in 2018 on risk processes and assessment and updates were noted in the changing content and improved presentations presented to the Audit Committee and Board.

The Board has annual updates on the Company's policies for compliance with the UK Bribery Act and the U.S. Foreign Corrupt Practices Act ('FCPA') requirements and health and safety. As part of our commitment to preventing bribery and establishing a culture that does not tolerate corruption wherever and in whatever form it may be encountered, we have a formal Board-approved anti-corruption policy and a summary of the anti-bribery policy is included on our website. We have appropriate procedures in place to ensure compliance with current legislation. An independently managed, confidential whistleblowing helpline (email and telephone) is available for employees to use. There was no use of it during 2018. Additionally, the Board was updated on the Company's compliance with the recent legislation concerning a Corporate Criminal Offence relating to failure to prevent tax evasion.

The Company recognises the importance of electronic information, systems and network security (cyber security) and this is included as a separate agenda item at least twice a year and also incorporated in strategy discussions and other key projects. We are increasingly required to be compliant with, or align to, various legal, contractual and regulatory standards and codes of practice relative to information security governance and the preservation of the confidentiality, integrity and availability of customer or internal data and services. This is part of a broader programme supported by a dedicated cyber security team whose primary role is to safeguard the Company to meet its legal and regulatory obligations, maintain business continuity and limit damage to business interests by preventing and reducing the occurrence of security incidents and their impact upon business operations. In recognition of this importance, in 2018 we were accredited with the ISO 27001 certification which requires us to have an information management security procedure in place. We also increased our investments on cyber security during 2018 in terms of resources and on tools.

There has been focus within the Company during 2018 on the work required to ensure compliance with the new General Data Protection Regulation ('GDPR') which came into effect in May 2018. We had tested procedures in place by the due date.

Internal controls

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee reviews the system of internal controls through reports received from management, along with those from both internal and external auditors. Management continues to focus on how internal control and risk management can be further embedded into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

There is an agreed process for determining what information is required to be included in the public disclosure of financial and related information and other procedures necessary to enable the Chief Executive Officer and the Chief Financial Officer to provide their certifications in relation to publicly disclosed information. This review is undertaken by the Chief Financial Officer, Company Secretary, IR Director and senior finance staff.

The Board and the Audit Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2018 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board confirms that the actions it considers necessary have been, or are being taken to remedy any significant failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

The key elements of the Group's system of internal controls, which have been in place throughout the year under review and up to the date of this Report, include:

- **Risk management:** an overarching risk management policy is in place which sets out the tolerance for risk within the Group and how this is measured across identified macro and business risks. As required by the policy, management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed and mitigated. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by Risk Committees across the Group, which identify the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are reviewed by senior management and provided quarterly to the Board and to the Audit Committee. Details of the risk process and key risks are shown on pages 52 to 58 in the Strategic Report.
- **Management structure:** there is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience. The delegation policy is regularly updated where there are changes in business operations. Within the business, senior management meetings occur regularly to allow prompt discussion of relevant business issues. A process of self-certification is used where Directors and senior managers are required to detail and certify controls in operation to mitigate risk in key process areas. The Presidents of the Business Units, and now the Executive Management Team members responsible for their functional areas, also confirm every quarter that they are not aware of any breach of key policies including our sensitive information policy (which relates to protection of partner data) and any anti-bribery activities.
- **Financial reporting:** monthly management accounts provide relevant, reliable and up-to-date financial and non-financial information to management and the Board. Analysis is undertaken of differences between actual results and the annual budget on a monthly basis. Annual plans, forecasts, performance targets and long-range business plans allow management to monitor the key business and financial activities, and the progress towards achieving the financial objectives. The annual budget is approved by the Board, as is the long-range business plan. The Group reports half-yearly based on a standardised reporting process, and in addition, also reports on a quarterly basis.
- **Information systems:** information systems are developed to support the Group's long-term objectives and are managed by professionally staffed teams. Appropriate policies and procedures are in place covering all significant areas of the business.
- **Contractual commitments:** there are clearly defined policies and procedures for entering into contractual commitments. These include detailed requirements that must be completed prior to submitting proposals and/or tenders for work, both in respect of the commercial, control and risk management aspects of the obligations being entered into. Business plan approval and procurement process procedures also strengthen the review of contractual commitments before any such commitment is agreed to.
- **Monitoring of controls:** the Audit Committee receives regular reports from the internal and external auditors and assures itself that the internal control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval. There are formal procedures by which staff can, in confidence, raise concerns about possible improprieties in financial and pensions administration and other matters – often referred to as 'whistleblowing' procedures. There is a worldwide anonymous whistleblowing programme in place and monthly reports are issued by the external provider to the Company Secretary and Head of Internal Audit. No issues were reported in the year. Where there are any reports made, arrangements are in place for proportionate and independent investigation and appropriate follow-up action with the results being reported to the Audit Committee. The annual anti-bribery and corruption training also highlights the ways in which an employee can raise an issue in a confidential way.

Directors' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 81 to 101.

Effectiveness

Report of the Nominations Committee

MEMBERS IN 2018

	Scheduled meetings attended
Dr Abe Peled (Chairman)	2/2
Andrew Sukawaty	2/2
Dr Hamadoun Touré	2/2
General C R Kehler (Rtd)[1]	1/1

1 General Kehler joined the committee effective November 2018

DR ABE PELED
CHAIRMAN,
NOMINATIONS COMMITTEE

An area of continued focus for the Committee has been Non-Executive Director succession planning, leading to the appointment of an additional Non-Executive Director in February 2019

Independent Non-Executive Directors make up a majority of members of the Committee. The Nominations Committee meets as and when necessary, generally formally twice a year. Dr Abe Peled has been Chairman since November 2015. Other members of the Committee are Andrew Sukawaty, Dr Hamadoun Touré and more recently General Kehler who joined the Committee in November 2018.

The Committee has responsibility for nominating candidates for appointment as Directors to the Board, bearing in mind the need for diversity (including gender, nationality and experience) and ensuring a broad representation of skills across the Board. In doing this, the Committee gives full consideration to succession planning and the leadership needs of the Company. The Committee also makes recommendations to the Board on the composition of the Board's Committees and will review and make recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the Non-Executive Directors, including the tenure of each Director.

More recently with the recommendations from the UK Financial Reporting Council regarding tenure for Chairs of UK listed public companies, the Board and the Committee will during 2019 start the process to seek a new Chair. Mr Sukawaty, the Company's current Chairman, will not be involved in any decision regarding the individual appointment of a new Chair, but will be asked to provide his inputs into the skills and capabilities he believes relevant to ensuring a successful appointment is made. As the timing matures for announcing any dates for a new appointment, we will advise shareholders. The Nominations Committee will also make recommendations to the Board concerning the annual reappointment by shareholders of any Non-Executive Director and separately assessing each year whether Directors continue to be independent. The Committee also has responsibility for approving any changes to Executive Directors and also senior management appointments.

All currently appointed Directors will retire at the 2019 AGM and offer themselves for election or re-election as appropriate. Mrs Clarke, our new Director, will be elected at the 2019 AGM. As noted earlier in the Governance Report, the Committee continues to believe that Sir Bryan remains an effective and contributing Board member and are recommending to shareholders therefore, that he be re-elected as a non-independent, Non-Executive Director. The Committee will review the continued appointment of Directors to the Board on an annual basis.

Composition

Our Board comprises Directors drawn from a wide range of professional backgrounds. All our Directors bring strong judgement to the Board's deliberations and we believe our new Director, Tracy Clarke, will also contribute in this way. Over the years, we have added new Directors to the Board ahead of longer serving ones retiring. Prior to Tracy's appointment, the previous appointments were in 2016 and 2017.

As at March 2019, the composition of the Board is two Executive Directors, 10 Non-Executive Directors and a Non-Executive Chairman. With the exception of Tracy Clarke, all current Directors served throughout the year. The names of the Directors on our Board, their relevant skills and experience are set out in their biographical details and can be found on pages 62 to 64.

The composition of the Board and its various Committees is regularly reviewed and evaluated so as to reflect the balance of skills, knowledge, diversity (of which gender is one component), experience and the ability of Directors to provide sufficient time to fulfil their Board responsibilities. During 2018, an additional member was made to both the Nominations and Remuneration Committees.

Succession planning

Appointments to the Board are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. This process is led by the Chairman of the Committee, with support of additional Directors who form part of the interview and assessment process, which also includes several members of the Executive Management Team as part of the interview process. After evaluating the balance of skills, knowledge and experience of each Director, and in addition considering the diversity to the Board that a potential Director will contribute, the Nominations Committee Chairman will make a recommendation to the Board. An external consultancy search will be used to identify potential candidates for a Chair role when the Board has agreed the qualities and experience required for a new person. This process will commence during 2019.

In appointing Non-Executive Directors, the Board's practice is to use a combination of external consultants and personal referrals. The appointment of Tracy Clarke was through a personal referral. Where there has been a personal referral, we will generally invite more participants than usual to be part of the interview and assessment process. In Tracy's process, she met the Chairman of the Nominations Committee, one NED, both Executive Directors, the Chief People Officer and Chief Corporate Affairs Officer who is also the Company Secretary. She also met the Board Chairman again.

In considering the skills required for the new Non-Executive Director, there was focus on seeking an individual who had broad corporate, public company experience with recent experience too of sitting and ideally chairing a Remuneration Committee to understand the increasing demands made in remuneration planning. Tracy has over 30 years' experience in a range of international roles at Standard Chartered Bank PLC, and is currently Regional CEO, Europe and Americas and CEO, Private Bank. Her previous senior roles at Standard Chartered Bank include Group Head Corporate Affairs, Group Head Human Resources, and Director, Legal and Compliance. She is an experienced director on various listed company boards. Aside her significant experience she also brings global management experience as well as working in emerging markets.

The Committee, when reviewing succession planning, considers diversity in its broadest sense and takes this into account in its recommendations to the Board. It takes into account the challenges and opportunities facing the Company. In determining succession planning, diversity, including gender, and what cultural experience, skills and expertise are needed on the Board and from senior management in the future are considered. Gender is one element of the considerations made in appointing senior management and Board members and as part of general recruitment practices across the Group. The Committee has issued an updated Diversity Policy which highlights its support for diversity in its broadest sense, and an objective of achieving 33% of senior management roles held by females by 2020. The Committee gives full consideration to succession planning in the course of its work and receives updated management succession plans which look at succession planning for the Executive Management Team and identifies the next layer of management below them who are identified as those with potential for promotion to senior management positions. A detailed discussion of Executive succession planning, including identification of high potential employees was held at the June 2018 Board meeting. As this is a critical discussion, not only for discussion by this Committee, this presentation included the full Board. There will be future annual updates to the Board on this key issue, with additional summaries as needed.

Induction and ongoing professional development

To ensure that each Director receives appropriate support on joining the Board, they are given a comprehensive, formal and tailored induction programme organised through the Company Secretary, including the provision of background material on the Company and briefings with each of the Executive Management Team members. These meetings will ensure that the on-boarding process for a new Director provides a view of each area of the business with the opportunity for further discussion as appropriate. Each Director's individual experience and background is taken into account in developing a programme tailored to his or her own requirements. The induction programme was reviewed and updated in 2017 for Mr Finegold and will be refined for Mrs Clarke. The induction process will run over a number of days to allow sufficient time for each meeting.

For professional ongoing development, the Board receives presentations relevant to the Company's business and updates on any changes in legislation which may affect the Company's operations. The Company Secretary supplies all Directors with information on relevant legal and best practice. Directors are given the opportunity to ask for any separate training and development needs and also take steps to ensure they are adequately informed about the Company and their responsibilities as a Director and attend external briefings and receive information updates. The Board is confident that its members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

Board evaluation

In 2018, the Company undertook an external evaluation, facilitated by Duncan Reed of Condign Board Consulting. This was the third time Mr Reed had undertaken the external evaluation as it was felt helpful to have someone undertake the review to build on the previous evaluations. Neither Mr Reed nor Condign Board Consulting have any other commercial relationships with Inmarsat. The 2017 Board evaluation was undertaken by the Company Secretary on behalf of the Chairman which took the form of a questionnaire to all Directors and a meeting between the Company Secretary and each of the Directors.

For the 2018 review, all participants were sent a discussion guide by Mr Reed in advance of individual meetings. Formal 'peer-to-peer' Director evaluation was also included in this process. With the verbal, anonymised feedback gathered as part of the process, the Chairman will be reviewing the performance of the Directors at the appropriate time, as will the Senior Independent Director ('SID') in relation to the Chairman.

Report of the Nominations Committee
continued

The summary from the report was that fundamentally this remains – as noted also at the last formal external evaluation in 2015 – a functional, and effective, board of committed, experienced and perceptive individuals. It still is a relatively diverse group, in more than just its gender make-up and is a board with an inclusive, respectful culture. Internally, striking and maintaining the right balance of challenge with support is one of the most important tasks for any chairman and also for his colleagues which has been balanced well taking into account some of the significant corporate activities during 2018.

The Board reported it has good access to and input from the business unit and other key functional heads. The Board agreed an action that an added degree of focus on reviewing pricing evolution to support business growth was important. There will be work which will be undertaken to comply with the new requirements on workforce engagement, with the decision taken already to have a formal group providing inputs to the Board and Executive Management Team.

There was some interest to encourage external speakers to brief the Board from time to time on external perspectives on industry and competitive matters and this will be considered for future meetings.

The Board should look to balance the time it spends on the commercial enablers of the delivery of strategy, alongside the focus it gives to technical or engineering matters, new projects or initiatives. The Board continues to value the early inclusion from executive management on strategic planning before any decisions are presented for decision.

The NED sessions will continue, with time on some occasions for them to review the Chairman's performance without him being present. These sessions were also helpful to ensure all the NEDs were briefed on the sensitive discussions on remuneration issues in preparation for finalising a new Remuneration Policy.

External directorships

The Board believes, in principle, in the benefit of Executive Directors accepting non-executive directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board and the number of public company appointments is generally limited to two. The number of appointments will be kept under review in line with corporate governance requirements. Details of external appointments for the CEO can be found in his biography on page 62. There were no fees paid to the CEO for these duties.

Appointment and reappointment

The Directors may appoint additional members to join the Board during the year. Directors appointed in this way will, upon the recommendation of the Board, offer themselves for election by shareholders at the first Annual General Meeting ('AGM') after their appointment. Tracy Clarke, who was appointed on 1 February 2019 will fall into this category. The reappointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance. All Directors will stand for re-election annually in accordance with the provision of the Code. The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the 2019 AGM continue to benefit the Board and the Company should support their re-election. Non-Executive Directors are appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter. Where there has been service longer than six years, the Committee has recommended those Directors alongside other remaining Directors for re-election. As noted earlier in this Report, the Board continues to support the re-election of Sir Bryan Carsberg as a non-independent Non-Executive Director at the 2019 AGM.

Accountability

Report of the Telecoms Regulatory Committee

MEMBERS IN 2018

	Scheduled meetings attended
Andrew Sukawaty (Chairman)	1/1
Sir Bryan Carsberg	1/1
Janice Obuchowski	1/1
Dr Hamadoun Touré	1/1

ANDREW SUKAWATY
CHAIRMAN, TELECOMS REGULATORY COMMITTEE

The focus for the Committee was to contribute oversight and guidance for the Company's activities across the different global regulatory activities with which we are involved

The Telecoms Regulatory Committee was created in May 2015, specifically to ensure there was focus from the Board on this key area which affects all parts of the Company's business operations. The Committee comprises a number of independent Non-Executive Directors and meets as and when necessary, generally twice a year. Andrew Sukawaty is Chairman. The Committee had one meeting during 2018 where there were detailed updates provided on some key regulatory matters. At this meeting, the Committee also met the new Group General Counsel who would be responsible for leading the regulatory team.

The Telecoms Regulatory Committee is authorised by the Board to:

- Review key regulatory challenges facing the business of the Company and the strategy and action plans proposed to meet such challenges
- Discuss the Company's strategy for acquisition of spectrum and frequency rights
- Facilitate high level engagement with governments, regulatory bodies and international organisations as identified by the Company
- Review upcoming key regulatory meetings, the proposed agendas and events and the Company's plans to cover such events
- Support the Company in various countries to secure authorisations for market access as identified by the Company
- Obtain the advice and assistance of any of the Company's executives having particular expertise in such matters and
- Review, and advise on, the ongoing appropriateness and relevance of the Company's regulatory policy and strategy as presented by the Company's executives and provide guidance on proactive measures proposed by the Company to maintain its leading position and competitiveness in the industry

One of the key focus areas discussed at the meeting in September 2018 was 5G planning and Inmarsat's positioning in this global discussion. The Committee heard how the regulatory policy team was participating in regulatory reviews in Europe, the U.S. and in ITU meetings to explain how satellite could be part of the solution.

An update on the S-band EAN regulatory progress was also provided which covered deep dive reviews on the engagement with regulators, the reporting obligations to the European Commission, an update on the legal cases which had been made against individual regulators and the EC, the progress being made with customers to take the EAN service and, due to Brexit, the action taken to redomicile the Inmarsat subsidiary which is the licence holder for the EAN.

The Committee received an update on the regulatory progress in select countries globally, noting the current framework in each and discussed the current market access plans.

The next ITU World Radiocommunication Conference will be held in Egypt during November 2019. This is one of the significant regulatory meetings where key regulatory agenda items will be discussed. The Committee was briefed on the activities being conducted by the regulatory and spectrum management teams in preparation for the meeting, which included the Company participating in ITU working parties and CEPT technical groups as well as involvement in some of the national and regional preparatory groups.

Accountability

Report of the Audit Committee

MEMBERS IN 2018

	Scheduled meetings attended
Robert Ruijter (Chairman)	4/4
Sir Bryan Carsberg[1]	2/2
Janice Obuchowski	4/4
Phillipa McCrostie[2]	3/4
Warren Finegold	4/4

1 Sir Bryan Carsberg ceased to be a member in May 2018 and now attends meetings as an observer

2 Pip McCrostie was unable to attend one meeting of the Committee due to personal reasons

ROBERT RUIJTER
CHAIRMAN,
AUDIT COMMITTEE

All members of the Audit Committee are independent Non-Executive Directors and the majority have significant, recent and relevant financial experience. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective Committee

The table shows the composition of the Audit Committee and their attendance at meetings during 2018. Robert Ruijter has been Chairman since November 2015. All members, apart from Janice Obuchowski, are considered financial experts.

By invitation, the meetings of the Audit Committee may be attended by the Chairman, Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit and other senior finance members. Sir Bryan Carsberg also now attends on invitation due to his expertise in the field. The Deloitte LLP ('Deloitte') audit engagement partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit. The Chairman of the Audit Committee meets regularly with the internal and external auditors and at the end of each Audit Committee meeting there is a short meeting of just the Committee, Company Chairman and auditors (which includes the internal auditor several times during the year) for an open discussion about the audit process and relationship with management.

The Audit Committee has particular responsibility for:

- Monitoring the financial reporting process
- The adequacy and effectiveness of the operation of internal controls and risk management
- The integrity of the financial statements. This includes a review of significant issues and judgements, policies, and disclosures
- Keeping under review the scope and results of the audit and its cost effectiveness
- Consideration of management's response to any major external or internal audit recommendations
- Reviewing the risk management process and reporting throughout the year
- Being assured of the independence and objectivity of the internal and external auditor and
- During 2018 there was particular focus on the new IFRS 9, 15 and 16 accounting standards and their implementation

The Board requested that the Committee advise whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. The financial results include those from Inmarsat Government Inc., a proxy company based in the U.S. which is managed under a Proxy arrangement as required by the U.S. Government to ensure it is insulated from foreign ownership, control or influence. This company was acquired in 2010 and has been operating under the Proxy arrangement since that time. Deloitte is auditor to this company and our CEO attends their board meetings to receive appropriate briefings on items he is authorised to receive.

The Committee's terms of reference to reflect best practice, and can be found on our website. Details about the Committee's assessment are shown at the end of this Report.

There is a forward agenda used for the year's activities which focuses on:

- Review of the annual financial statements and the results of the annual external audit and review of the external auditor's quarterly and interim review work and relevant quarterly and interim financial reporting and the external audit plan
- Review of the risk management process and reporting
- Consideration of new accounting standards and governance changes
- Review of the preparation of the viability statement for use in the 2018 Preliminary Statement and Annual Report and
- Review of internal audit plans and, discussing staffing impact on their work load, findings and recommendations

The Audit Committee ensures that the external audit process and audit quality are effective. It does this by:

- Monitoring the engagement between the Audit Committee Chairman and the lead audit engagement partner which will generally be through face-to-face meetings
- Monitoring the reports which are brought to the Committee by the lead audit engagement partner and other senior members of the audit team
- Monitoring the quality of the management responses to audit queries
- Monitoring meetings held by the CEO and the Chairman with the lead audit engagement partner which are reported to the Audit Chairman and Committee
- Monitoring a review of independence and objectivity of the audit firm and also the quality of the formal audit report given by the Auditor to shareholders and
- Seeking feedback from members of the finance team, the Company Secretary and the Head of Internal Audit

During the reporting year to 31 December 2018, the activities of the Audit Committee were to:

- Confirm to the Board that the Annual Report and Accounts is fair, balanced and understandable
- Review and endorsement, prior to submission to the Board, the half-year and full-year financial statements, interim management statements and results announcements
- Review and approve internal audit reports, and findings and recommendations arising from the reports
- Review and approve risk management updates and the annual risk management process
- Agree external and internal annual audit plans
- Receive updates on management responses to audit recommendations
- Complete a detailed assessment of the 2017 Audit Effectiveness using the FRC guidance reports for audit committees and ethical standards expected of auditors as reference material. The assessment outcome was that the Committee had sufficient knowledge about its own responsibilities and those of the auditors
- Review key accounting judgements relating to specific transactions as well as changes to any accounting policies affecting the Group's financial position and
- Regularly monitor key programmes across the Group including the plans for the implementation of a new billing and accounts payable system

Reviews by the Committee of audit plans and risk reports include all Group operations. Detailed risk reporting is used for all Group companies and business operations. One of our subsidiary companies, Inmarsat Group Ltd, is required to produce quarterly financial statements, as required by its loan agreements; the format and content for these are based on the ultimate group reporting which falls under the Committee's review. The quarterly review of the risk reports and the process adopted to manage risk is a key area of focus for the Committee.

With several significant changes to IFRS reporting being implemented, the Committee received detailed briefings and updates from management regarding progress.

Audit Committee meetings generally take place just prior to a Board meeting to maximise effectiveness and time planning efficiency of those attending. The Committee's Chairman reports to the Board as part of a separate agenda item on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work. All members of the Board have access to Audit Committee papers and minutes of meetings, and may, on request to the Chairman, attend the meetings.

As part of the preparation of the financial statements, there is an internal senior team, which includes the CFO and Company Secretary, which reviews the preparation and content of the reporting to ensure there is timely disclosure of financial and other material information to the Board. This preparation provided the Audit Committee with documents which the Committee reviewed and provided clarity on the completeness of financial reporting disclosures prior to their release by the Board.

Significant accounting matters

During 2018, the Audit Committee considered the significant accounting matters described below. In addressing these issues the Committee considered the appropriateness of management's accounting estimates and key judgements, outlined in note 4 to the consolidated financial statements. The Committee discussed these with the external auditor during the year and, where appropriate, details of how they have been addressed are provided in the Independent Auditors' Report on pages 108 to 115.

Change in accounting policies

Changes to accounting policies impacting revenue accounting, lease accounting and financial instruments have been adopted in 2018 in response to the new accounting standards IFRS 15, IFRS 16 and IFRS 9 respectively. IFRS 16 has been early adopted in 2018 as the overall impact on the financial statements is considered low. As part of the adoption, management has outlined the Group's updated accounting policies to align with each of the standards. Revenue recognition, installation and Ligado revenue have each had their recognition policies updated and the comparatives adjusted as permitted by IFRS 15. For lease accounting, a 'right to use' asset was recorded on the statement of financial position as at 1 January 2018 with a corresponding lease liability, while changes in the income statement have been mainly presentational. For financial instruments, there are no material changes. Further details of the adjustments are outlined in note 1 to the financial statements.

Revenue recognition

The timing of revenue recognition is a key area of judgement, especially in the telecommunications industry. The Group's accounting policy on revenue recognition has been adjusted to accommodate IFRS 15, refer to note 2 for more details. The Group's Internal Audit team have kept significant revenue systems, processes and recognition as a focus area during the year and the external auditor performed detailed audit procedures on revenue recognition, with the findings of both being reported to the Audit Committee. The Audit Committee has therefore concluded that the Group's revenue recognition policies continue to be in line with IFRS requirements.

Report of the Audit Committee
continued

Revenue in respect of the Ligado networks cooperation agreement

The Audit Committee continues to review the accounting treatment for the recognition of revenue and costs in respect of each phase of the Ligado Networks (formerly LightSquared) Cooperation Agreement.

Deferred income in respect of Phase 1 from Ligado continues to be carried on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, is dependent upon a number of factors that continue to be uncertain. The impact of the foregoing on the deferred revenue balance of $206.7m (2017 restated: $206.8m) carried by the Company in respect of the costs of implementation of this agreement is still to be determined. During 2018, Inmarsat recognised $0.1m (2017: $2.0m) of deferred income.

In March 2016, Ligado Networks agreed to take the 30MHz option (the '30MHz Plan') under the Cooperation Agreement between the companies. In exchange for the deferral of some payments from Ligado to Inmarsat, the parties agreed to delay the transition to the 30MHz Plan, with Ligado providing Inmarsat enhanced spectrum usage rights for its satellite operations for a minimum period of two years. With this in mind, Ligado made quarterly payments to Inmarsat of $118.5m during the course of 2018 and recognised revenue of $130.7m, increasing the receivable in relation to deferrals to $35.0m as at 31 December 2018 (2017 restated: $25.0m).

The Audit Committee has deemed the current accounting treatment of all phases of the Cooperation Agreement appropriate.

Taxation

The calculation of some of the Group's potential tax assets and liabilities involves a degree of estimation and judgement in respect of certain items, whose tax treatment cannot be finalised until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve.

The Group's tax strategy is published on the website and this is subject to review by the Board of Inmarsat plc on an annual basis.

Inmarsat is committed to:

- Observing all applicable laws, rules and regulations in meeting our tax compliance and reporting responsibilities everywhere we operate
- Applying diligent professional care and judgement to ensure that the tax risk is managed with a high degree of certainty
- Working positively, pro-actively and transparently with tax authorities to minimise the extent of disputes, to achieve early agreement on disputed issues when they arise and achieve certainty wherever possible and
- Ensuring that tax strategy is aligned with the wider business and commercial strategy

From time to time the Group may be involved in disputes in relation to ongoing tax matters where a tax authority adopts a different interpretation to our own. The level of provisioning for these disputes is an issue where management and tax judgement are important.

The Committee addresses these matters through a range of reporting from senior management and by challenging the appropriateness of management's views including the degree to which these are supported by third party expert advice. This is an area of higher audit risk and accordingly, the Committee received detailed verbal and written reports from the external auditor on these matters. Following these procedures, the Audit Committee deemed the income tax assets and liabilities balances for the year, as well as the Group's disclosure in respect of income taxes and related liabilities, to be appropriate.

We ensure that the Group's tax risk is managed conservatively and professionally, by observing laws and meeting our compliance obligations in all territories in which we operate. We seek to work proactively and collaboratively with our stakeholders, including tax authorities and colleagues within the business, whilst ensuring that the Group's tax strategy is aligned with the wider business and its commercial strategy of generating sustainable value for our shareholders. During 2018, we provided training to our staff on the requirements issued by the UK HMRC regarding the failure to prevent the criminal facilitation of tax evasion; this was included in our anti bribery training module.

Capitalisation of space segment assets and associated borrowing costs

Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. In addition, borrowing costs attributable to qualifying space segment assets are added to the cost of those assets. Given the nature of the Group's business, significant capital expenditure is incurred on space segment assets. The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

- Whether the capitalisation criteria of the underlying IFRS have been met
- Allocation of an appropriate asset class and associated useful economic life in accordance with Group policies
- Whether an asset is deemed to be substantially complete and as a result capitalisation of borrowing costs should cease and
- Whether an asset is ready for use and as a result further capitalisation of costs should cease and depreciation should commence

The external auditor examined the capitalisation of development costs in the year, particularly in relation to the Global Xpress and S-band satellite programmes and reported its control findings to the Audit Committee. The Audit Committee is satisfied that space segment assets and associated borrowing costs have been capitalised correctly in the year.

Viability statement

The Audit Committee received a detailed paper from management setting out both the Directors' obligation to include a viability statement in the Annual Report and a detailed assessment of the Group's viability. The Committee endorsed the selection of a three-year time horizon as a basis for the statement and reviewed the detailed viability assessment including the assumptions that had been made in conducting the assessment. Further detail on the assessment of viability and the viability statement are set out on page 59.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Internal Audit Department is an agenda item at each Committee meeting. Additionally, the Chairman of the Committee meets regularly with the Internal Auditor.

Internal Audit prepares its annual audit plan based on the principal risks of the Company for the Committee to approve. Internal Audit conducts reviews of business operations, financial and internal controls, IT and cyber security, and legal and regulatory compliance. It presents its reports at each meeting covering updates on Internal Audit activities, results of audits and follow-up actions required.

External auditor

The Financial Reporting Council issued a guide for Audit Committees to help them evaluate auditor effectiveness. There are several criteria included within the report and in 2018 the Committee completed a detailed assessment of the 2017 Audit so that Deloitte and management could review how any changes could be made to improve the effectiveness going forward. The Committee receives inputs from different sources such as the Auditors themselves, management, as well as the input from the members of the Committee which assisted it to determine that the Auditor and its work were effective. At each of the Audit Committee meetings, the Auditor report on any issues it perceived related to quality control and where it thought judgements had been applied by management and if it agreed with these, or offered an alternative view if appropriate. The findings and reports from the Auditor help the Audit Committee make assessments about the need to update processes or undertake further review work on any particular issues.

Deloitte LLP were reappointed at the 2018 Annual General Meeting and will also be put forward for reappointment at the 2019 Annual General Meeting. Under the EU directive, Deloitte are now capable of being reappointed for a further 10 years after the retender (2016), however shareholder approval will be required each year.

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with Deloitte and receives summaries at each Audit Committee meeting from the Auditor as to their independence. The Committee concluded that it continues to have an objective and professional relationship with Deloitte and that there are sufficient controls and processes in place to ensure the required level of independence. The External Auditor is required to change the audit partner responsible for the Group audit every five years. In 2016, a new audit partner was identified and took over as the lead for the 2016 reporting period after Deloitte's successful reappointment. During the year, Deloitte charged the Group $1.2m (2017: $1.2m) for audit and audit-related services.

Non-audit services

The Company's Auditor may also be used to provide specialist advice where, as a result of their position as Auditor, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of their independence and objectivity.

Inmarsat's policy is to adopt a strict 70% cap for allowable non-audit services. To ensure the policy is adequately controlled, we adopt several processes, which were reviewed and confirmed as being used during 2018. Fees charged by Deloitte in respect of non-audit services require the prior approval of the Audit Committee, except where the fee is less than £50,000. Any commitments above this amount will require the Audit Committee Chairman's approval. A summary is available to the Audit Committee where amounts have been committed below £50,000. Separate engagement letters are signed by our CFO for each audit and non-audit engagement with Deloitte.

A breakdown of the fees paid to Deloitte during the year, including non-audit services, is set out in note 6 to the consolidated financial statements.

It is the Company's practice that it will seek quotes from several firms, which may include Deloitte, before work on non-audit projects is awarded. Contracts are awarded to our suppliers based on individual merits. The Committee and the Company's management are aware that the level of fees paid to Deloitte for non-audit services compared to audit services was significantly higher several years ago due to work undertaken regarding specialist tax advice on certain transactions and, has worked to ensure that the non-audit fee levels have reduced or are nil over the last few years as in 2017 and 2018.

We receive advice from other firms for specific projects and other long-term projects. We have continued to use PwC, KPMG and EY for various projects – some are new projects and some have been continuing for several years. We also use different firms to support us on VAT and ad hoc PAYE issues.

Fair, balanced and understandable

When forming its opinion as to whether the Annual Report and Accounts is fair, balanced and understandable, the Committee reflected on the information it had received and its discussions throughout the year.

In particular, the Committee considered the same themes as it had in 2017:

Is the report fair?

- Is the whole story presented and has any sensitive material been omitted that should have been included?
- Is the reporting on the business segments in the narrative reporting consistent with those used for the financial reporting in the financial statements?
- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level based on the financial reporting and are they the right ones to use to describe the business?

Is the report balanced?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report, and does the messaging reflected in each remain consistent when read independently of each other?
- Is the Annual Report a document which is understandable by shareholders?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do these compare with the risks that Deloitte plan to include in their audit report?

Is the report understandable?

- Is there a clear and understandable framework to the report?
- Are the important messages highlighted appropriately throughout the document?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

Conclusion

Following its review, the Committee was of the opinion that the 2018 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

ROB RUIJTER
CHAIRMAN, AUDIT COMMITTEE

18 March 2019

Relations with shareholders

Communicating with the investment community

Given the importance placed by the Company in communicating with our investors, we seek to maintain a regular and open dialogue with current equity shareholders, potential equity investors, debt investors and sell side and credit analysts through a comprehensive investor relations programme.

This programme is based around investor and analyst presentations by senior management, covering the full year and interim results (in person), and quarterly results announcements (by webcast and conference call). The shareholder communication programme incorporates the AGM, investor roadshow meetings, investor conference participation as well as presentations to analysts and investment banks' equity sales teams. Management participated in meetings with investment communities in the UK, the U.S. and in Europe in 2018.

The key objective of the Company's investor communication programme is to ensure that the investment community continues to have a comprehensive and clear understanding of the various dynamics and elements relating to Inmarsat's business, market environment, strategy, operational performance and future outlook.

The Board is aware that institutional shareholders and bondholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Conduct Authority requirements.

Investor communication channels

The Board is responsible for ensuring that a consistent and open dialogue with shareholders is maintained, with the Chief Executive Officer, Chief Financial Officer and Head of Investor Relations being the Company's principal representatives with the investment community. Furthermore, the Chairman and Senior Independent Director are available to shareholders if they have concerns which cannot be raised through the normal channels or if such concerns have not been resolved.

In total, senior management participated in over 600 meetings or conference calls with buy side and sell side institutions in 2018, both in the equity and debt markets, including existing shareholders and potential shareholders.

The Board obtains feedback from senior management as well as from its joint corporate brokers, J.P. Morgan Cazenove and Credit Suisse, on the views of institutional investors on a non-attributed and attributed basis. As a matter of routine, the Board receives regular reports on issues relating to share price and trading activity, and details of movements in institutional investor shareholdings. The Board is also regularly provided with current analyst opinions and forecasts.

During 2018, after the 2018 AGM, there have been three sets of shareholder communications to key shareholders and proxy agencies as part of a detailed shareholder consultation exercise regarding a new Remuneration Policy. This has been led by the Remuneration Committee Chairman, the Board Chairman and the Company Secretary. The engagement from those consulted has been very much appreciated.

600+

Meetings or conference calls with analysts and institutions in 2018

2018 Annual Report and 2019 AGM

This audited 2018 Annual Report will be made available to shareholders and all results are posted on the Company's website, as are presentations made in respect of the company's financial results.

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit and the Remuneration Committees, together with as many Directors as possible, will attend the 2019 AGM and be available to answer shareholders' questions. Voting on all resolutions at the AGM is on a poll.

The proxy votes cast, including details of votes withheld, are disclosed on our website and announced to the UK Listing Authority through a Regulatory Information Service immediately after the meeting. Facilities are provided for shareholders to vote electronically either through Electronic Proxy Voting or through CREST.

Details of our results announcements for 2019 are shown below:

1 May 2019
AGM and Q1 2019 results

1 August 2019*
Interim results for the half year to 30 June 2019

7 November 2019*
Q3 2019 results

* These dates are provisional and may change

Directors' Remuneration Report

In this section

Annual statement from the Remuneration Committee Chairman, Simon Bax

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

At our 2018 AGM a majority of shareholders voted against the resolution to approve our remuneration report. This outcome followed a high vote against our remuneration report in 2017. We have heard from those consulted since the AGM that there was no single reason for the high vote against the remuneration report, although during the extensive consultation that we have undertaken it is clear that the overriding issue has been that the level of executive pay was felt to be insufficiently aligned to performance and particularly share price performance.

In relation to the policy itself, even though 90% of shareholders supported the policy in 2017 we have listened to comments that the policy for incentive pay is too high, too focused on the short term and over-complicated by having two incentive plans both of which are deemed to be short term as they measured performance over a single year.

In relation to the application of the policy, investors felt that there was an unhelpful duplication of EBITDA across the plans, insufficient disclosure in relation to the strategic targets in the PSA (our LTIP) and a feeling that the performance conditions have not been sufficiently stretching to justify the remuneration levels paid. Finally, we lagged best practice by not disclosing the performance targets for the annual bonus and BSA immediately, but a year in arrears.

As part of a very comprehensive engagement process with a substantial number of investors and representative bodies, and having listened very carefully and modified our thinking as we have finalised our planning, we are proposing a new policy which will bring our disclosure in line with the standards expected by shareholders. We will simplify the incentive plans, ensure stretching targets are used, reduce the overall remuneration opportunity and improve the alignment of long-term and short-term interests between executives and shareholders. We will bring our disclosure in line with the standards expected by shareholders and provide information for 2018 performance in this Report.

In finalising the outcome of the overall remuneration for 2018, the Committee is using its discretion to reduce significantly the total amount we are paying our executives for performance in 2018 in large part to recognise the overall shareholder experience in 2018.

Remuneration Report
continued

"We spent considerable time engaging with shareholders to ensure the new policy and its implementation is appropriate"

In addition to seeking shareholder approval for a new remuneration policy and the annual shareholder vote on the remuneration report, there is a further resolution to approve an increase to the individual limit in our long-term incentive plan, to facilitate a rebalancing of incentives from short-term to longer-term performance. I very much hope that the changes set out in this report and summarised in my Statement will ensure a positive outcome at the 2019 AGM on all three resolutions.

Performance in 2018 and incentive payments to executives

Business performance during 2018 sets the context for how the Committee has reviewed pay for performance and assessed achievement against objectives.

During the course of the year, we delivered consistent profitable revenue growth, supported by our diversified portfolio, through a combination of our established L-band services and our new, higher growth broadband GX services, particularly in the In-Flight Connectivity segment in Aviation. This growth was delivered in spite of an intensifying competitive environment in the mid-market in Maritime, which, given the relative weighting of Maritime in our revenue base, continues to be an important driver of investor sentiment and, consequently, our share price.

Our revenue growth of 5% for the year was again supported by a focus on operational leverage through a carefully controlled cost base, with EBITDA growing by 4%, and an infrastructure capital investment programme that is expected to meaningfully moderate from the start of the next decade. These factors will help us to generate sustained free cash flow over the medium to long term.

Looking at the specifics of performance from a remuneration viewpoint, the performance conditions for the Annual Bonus and BSA were our Revenue and EBITDA performance and for the Annual Bonus a small part of the overall opportunity was based on the individual performance of the executive directors. At the start of the year our business plan was forecasting relatively flat performance against both Revenue and EBITDA and we were pleased to deliver year on year growth of 5% and 4% respectively against both measures. At the same time there has been strong performance of the executive directors against the achievement of the short-term operational milestones on which their individual performance was based.

For the PSA award granted in 2016, 2018 represented the final year of the three-year performance measurement period. Performance conditions were Total Shareholder Return, EBITDA and Strategic Objectives. Over the three years to 2018, the Company has made good progress against its strategic objectives, which has positioned us well for the future. However, over the three-year performance period we fell short of the challenging EBITDA targets that were set and we experienced a significant decline in our share price. This meant that whilst there was partial vesting against the Strategic Objectives there was no vesting of the portions of the award measured by reference to EBITDA or TSR performance.

On the basis of the formula-driven performance conditions the total remuneration for the Chief Executive and Chief Financial Officer would have been £2,347k and £1,899k respectively. However, recognising the wider performance factors and in particular the shareholder experience over the year under review (and the three-year performance period of the financial elements of the 2016 PSA) the Committee has used its discretion to reduce pay for FY18 very significantly. The pay-out level under the PSA has been reduced from £150k and £115k for the CEO and CFO respectively to £75k and £58k. This was considered appropriate recognising that, despite good progress against the Company's Long Range Business Plan, against wider business KPIs the performance had fallen short of the Board's expectations.

Additionally the Committee reviewed the pay-out level under the BSA and determined that the indicative level of vesting was too high in relation to the improvements in financial performance over the year and when considering the share price performance over 2018. Accordingly, the Committee determined that the payment should be reduced from £1,008k and £781k for the CEO and CFO respectively to £415k and £317k. Overall the level of pay has been reduced by £593k and £464k for the CEO and CFO respectively, which ensures that their pay for FY18 is lower than that received for FY17 (which itself followed a trend of reducing pay over recent years) on the single figure reported in the 2017 Annual Report and the 2017 figure reported in this Annual Report which is adjusted for the actual share price rather than average.

We believe that this decisive use of discretion to reduce pay for FY18 is in shareholders' short and long-term interests.

A new remuneration policy for FY19-21

During the year the Committee undertook a very detailed review of our remuneration policy to ensure that it addresses shareholder concerns by providing a stronger link between reward and performance. We spent considerable time engaging in extensive discussions with shareholders during 2018 and early in 2019 to ensure that the new policy, and its operation are appropriate going forward. We have adapted the policy to take on board shareholder comments through the consultation process and are appreciative of the constructive and helpful engagement we received from them and the proxy agencies.

Under the new policy we have strengthened the link between pay and performance in the following ways:

- A material reduction in the level of incentive pay under the policy and compared to FY18 actual incentive levels
- An increase to the proportionate weighting to the long-term incentive, for example from a combined potential opportunity for the CEO of 310% of salary under the two short-term plans and 185% of salary on the PSA, to 200% of salary being based on short-term performance and 250% of salary based on long-term performance
- One simpler single annual bonus plan instead of two
- The annual bonus maximum opportunity has been reduced materially to 200% for both Executive Directors, with 50% invested in shares which must be held for the long term
- There is no duplication of performance measures in annual bonus and long-term incentives
- Long-term incentive awards have been increased to 250% for both Executive Directors
- We have included a formal overriding discretion to adjust the formulaic outcome of incentive awards as envisaged by the Corporate Governance Code
- We have robust clawback and malus provisions which have been strengthened

This builds on some strong attributes of our previous policy, especially the very high share ownership requirements (500% of salary) and the very low level of pension contributions. There are further changes to the detail of the policy, which are summarised on pages 84 to 89.

Implementation of the remuneration policy in 2019

Our salary review takes place in June with any changes taking effect from 1 July. Any changes to salary levels will be no higher than the workforce average. The Executive Directors participate in the same pension and benefits programmes as other employees in the UK and on the same basis. The employer pension contribution will remain at circa 3% of salary, which is equivalent of 12.5% of capped salary.

In addition to making significant changes to the policy for incentives, we have made several changes to its operation. In particular we have increased the weighting to financial performance measures under the annual bonus and are focusing on two important business KPIs that we use to measure underlying financial performance: Revenue, which will apply to 30%, and EBITDA, which will apply to 50% of the bonus. Stretching performance conditions have been set for each measure, which represent a significant improvement on the FY18 year-end numbers (noting that 2018 included contributions from our co-operation agreement with Ligado and there is no such contribution in 2019) and an improvement on prior years' ranges. The element based on non-financial measures and personal performance will be weighted at a maximum of 20% of the overall bonus.

In addition to setting challenging target ranges, the Committee has adjusted the sliding scales for payment so that the pay-outs commence for performance at 5% below target (not 10%) and the target level of pay-out is 60% of the maximum (down from 71.9% as the average across both of the previous bonus plans). We will keep under review the target level of pay-out over the policy period. The maximum annual bonus opportunity will be 200% of base salary, with half (after deduction for tax) delivered in shares, which must be held for the long term.

There will be no overlap between the performance measures used for the annual bonus and the PSA awards. Vesting for the PSA will continue to be based on relative TSR, measured against the constituents of the FTSE 250 (instead of FTSE 50-150) excluding investment trusts (50% of total award), Free Cash Flow (25%) and the delivery of specific strategic objectives considered key drivers to our future success (25%). The PSA award level will now be 250% of salary, with 25% of the award vesting for threshold performance. A two-year holding period will continue to apply to vested PSA shares, during which time shares may not be sold except to cover taxes.

If the formula driven payments deliver a result which is at odds with the wider performance of the business the Committee will, again, consider the use of discretion to adjust the outcome.

Our shareholding guideline will remain at 500% of base salary, which our Chief Executive comfortably exceeds and our Chief Financial Officer is building towards. These continue to be at the upper end of what is the norm and support the alignment with shareholders.

Further detail on the implementation of our Policy for 2019 is included on pages 90 to 101.

Corporate Governance Code and Companies Act reporting changes

We aim to comply with the new UK Corporate Governance Code during FY19 and, in particular, are looking at broader stakeholder engagement carefully. Also, we are reporting early in line with the new legislative requirements for Directors' pay, including disclosing our CEO pay ratios to the rest of the UK workforce in this report.

Summary

I would like to thank shareholders for their input during the year. We believe that we have significantly improved our policy and the way it will be operated. I hope we can count on shareholders' support at the 2019 AGM, where I will be available to respond to any questions shareholders may have on this report or in relation to the Committee's activities. I continue to be available to meet and discuss our remuneration arrangements with shareholders.

SIMON BAX
CHAIRMAN,
REMUNERATION COMMITTEE

18 March 2019

Remuneration Report
continued

2019 Directors' Remuneration Policy

At our 2018 AGM a majority of shareholders voted against the resolution to approve our remuneration report. This means we must seek shareholder approval for a new remuneration policy at our May 2019 AGM. As noted in the Chairman's Statement we have consulted extensively with shareholders and this Directors' Remuneration Policy is put forward for a binding shareholder vote at the 2019 AGM and will take effect from the date of the AGM. The changes we have made to the new remuneration policy compared to the 2017 policy are summarised as follows:

- Maximum employer pension contribution is reduced from 20% of salary to 12.5% of salary (although current directors will receive contributions of circa 3% of salary)
- We currently have two bonus schemes measuring performance over a single year; the Cash Bonus (up to 125% of salary) and the Bonus Share Award (BSA) (up to 200% of salary). The total current short term incentive opportunity is 325% of salary overall. Instead, maximum annual bonus opportunity will be significantly reduced under a single new annual bonus plan to 200% of salary
- 50% of any bonus earned will be payable in cash and the remaining 50% will be required to be invested in shares, after tax. The shares will be owned beneficially by the executive at the outset but must be held and not sold for at least one, two and three years and then in equivalent one third tranches. The shares will remain subject to clawback during the holding period
- There will be flexibility for up to 20% of annual bonus to be subject to non-financial/strategic performance measures (previously 30%) for the Cash Bonus
- The threshold level of bonus payment will be no more than 25% of maximum. Previously this was much higher at 35.8% across both the Cash Bonus and BSA
- The target level for the annual bonus payment is being removed from the Policy and will be set annually in line with the business plan. The target level though will not exceed 60%. Target payment was previously much higher across both the previous Cash Bonus and BSA
- For the PSA there will be policy flexibility for up to 25% of the award to be subject to strategic measures (previously 40%). At a threshold level of performance 25% of any PSA award may vest under any measure. Previously the threshold level for a TSR, EBITDA or Strategic performance condition was 30%/0%/0%
- Clawback and malus provisions have been strengthened to add reputational damage and corporate failure as specified 'trigger events' for clawing back previous payments, in line with the 2018 UK Corporate Governance Code (the Code) requirements
- There will be a discretionary override for all incentive payments to allow the Committee to adjust the formula driven outturn for any incentive payment, taking into account all relevant factors
- We have considered carefully the requirements in the Code for post cessation of employment shareholding requirements. The 'good leaver' provisions in the annual bonus and PSA will require that performance is measured over the full period (not accelerated to cessation of employment). Holding requirements for beneficially owned shares for all categories of leaver under the bonus and PSA will continue after cessation of employment as well as for unvested awards retained by good leavers. On this basis there would continue to be a significant interest in shares after an executive has left

The Group's Remuneration Policy is designed to align directors' pay with the long-term strategy and sustainable success of the Group. We take into account the Group's overall business strategy, business performance in the current year and expectations for future years as incorporated into our Long Range Business Plan ('LRBP'), pay arrangements in the wider Inmarsat workforce and alignment of remuneration policy throughout the Group, and the global economic situation as well as investor views and feedback. We will consult with shareholders in advance of major changes to the Remuneration Policy or where we consider there are material changes to operation of the Policy. The Committee is committed to the principle that the Company should pay at the appropriate level to recruit and retain executives and incentivise them to achieve the Company's business strategy to create long-term sustained value for shareholders.

The remuneration policy is set out in the table below:

How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
BASIC SALARY			
Paying market-competitive base salaries, commensurate with the individual's role, responsibilities and experience, allows us to recruit and retain Executive Directors of the calibre required to implement our strategy. Providing an appropriate fixed level of pay commensurate for the role, ensures no over reliance on variable pay.	Salaries are reviewed annually with any increase generally made in July or following a material change in responsibilities. Any increase is determined by a formal appraisal by the Committee; taking into account market pay levels; a review of salaries against companies of similar size, complexity and type; Group and individual performance, as well as the remuneration arrangements operated throughout the Group, with reference to UK-based employees in particular for pay comparison levels.	The maximum annual salary increase will normally be in line with the average increase applied to the UK workforce. However, larger increases may be awarded in certain circumstances including, but not limited to, an increase in scope or responsibility of the role; to apply salary progression for a newly appointed Director; where the Director's salary has fallen behind market positioning.	Based on Company performance and individual contribution.
BENEFITS IN KIND			
We provide cost-effective benefits which support the wellbeing of employees and maximise business continuity.	Provision of death, long-term sickness and medical and dental insurance cover (which can include spouse and dependants cover). Life assurance of four times salary, paid holiday and medical check-ups are also provided. If required, the Company would provide access to independent financial and legal advice on a case-by-case basis. Provision of other reasonable benefits including in the event of relocation, temporary accommodation and other related costs will be considered on a case-by-case basis.	The benefits provided, which may vary by role and levels of cover provided, will reflect market practice and the individual circumstances of the Executive Directors. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this Policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially.	Not applicable.
PENSION			
We provide defined contribution pension arrangements, or cash in lieu of pension.	The Company may make contributions to its defined contribution pension plan, similar pension plans as appropriate to the Executive Director's nationality or location, our auto-enrolment pension scheme and/or make cash payments in lieu based on a percentage of salary.	Maximum employer contributions are 12.5% of the basic salary.	Not applicable.

Remuneration Report
continued

How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
ANNUAL BONUS			
To incentivise the achievement of annual financial, strategic and operational goals in line with Group strategy. The requirement for Executive Directors to acquire shares with their bonus provides a mechanism for alignment with longer-term performance and alignment of shareholders' interests.	Bonus payment levels are determined by the Committee annually by reference to performance against targets set at the start of the financial year. The annual bonus is determined by pre-determined performance conditions. The Committee has the discretion to adjust the formulaic bonus outcome where the outcome is not truly reflective of performance, delivery of value to shareholders or reward outcomes more widely within the workforce. The bonus is paid in cash and the Executive Directors are required to invest 50% of the bonus earned (after payment of taxes) in shares in the Company. One third of the shares must be held for one, two and three years. The holding period continues post cessation of employment. The Committee may apply malus and claw back bonuses in circumstances including (but not limited to) error in calculation, gross misconduct, fraud, corporate failure, reputational damage or misstatement.	Maximum opportunity: › 200% of salary for both the CEO and CFO Threshold opportunity: › 25% of maximum The Target opportunity will be determined annually.	Bonus is based on achievement of annual financial and strategic objectives. Performance measures and objectives are selected at the beginning of the year that best support the delivery of the Company's strategy. The strategic element will not account for more than 20% of the total in any year. For the financial measures a graduated scale of targets will be set. In relation to strategic objectives the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met and judgement may be applied by the Committee. Details of the measures and weightings and performance against targets for the financial year under review are provided in the Annual Report on Remuneration.
PERFORMANCE SHARE AWARD ('PSA')			
The PSA aligns executives' interests with long-term performance and shareholder value creation through rewarding the delivery of our longer-term business strategy with shares in the Company which are then retained for a period post vesting. The performance measures in the PSA reflect the value drivers in the LRBP.	We make annual awards of conditional shares, which vest after a minimum of three years subject to performance over a three-year period. A mandatory two-year holding period (after sales to meet taxes) applies to vested awards. Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest. Unvested awards are subject to adjustment for malus and clawback, i.e. forfeiture or reduction in exceptional circumstances including (but are not limited to) error in calculation, gross misconduct, fraud, corporate failure, reputational damage or misstatement.	Maximum opportunity for all Executive Directors is up to 250% of salary. Threshold performance is 25% of maximum. There is the opportunity for an exceptional award of up to 300% of salary which would not be used unless it was appropriate to do so and fully explained in the implementation report.	The Committee selects performance measures and objectives at the time awards are granted that best support the delivery of the Company's long-term strategy. Strategic measures, if included, will not account for more than 25% of the total award in any year. Details of the measures, weightings and targets applicable to an award are provided prospectively in the Annual Report on Remuneration implementation of policy section for the year ahead.
EMPLOYEE SHARE PLANS			
To encourage share ownership across all employees as allowed by HMRC and relevant local laws.	We operate employee share savings plans for our global workforce where, depending on location, savings periods of between two and three years operate. We will look at opportunities to offer other employee share plans in the future.	Participation levels set by HMRC or relevant local laws from time to time.	Not applicable.
SHAREHOLDING GUIDELINE			
To build and retain a holding of shares in the Company which increases alignment of interest between management and shareholders and the longer-term performance of the Company.	The Executive Directors must retain at least 50% of shares acquired from annual bonus payments and vesting of PSA awards until the shareholding requirement of 500% of salary is achieved.	The level of requirement and calculation is set out in the Annual Report on Remuneration.	Not applicable.

Legacy arrangements

Authority is given to the Company to honour any share awards entered into with the Executive Directors under the 2014 and 2017 Policies. Details of such outstanding share awards to Executive Directors are provided in the Annual Report on Remuneration.

Performance measurement selection

Performance measures and objectives are selected that best support the delivery of the Company's strategy, both short term and longer term. Performance targets are stretching, taking into account a range of reference points including the Group's annual budget, LRBP, the market in which the Company operates, the expected performance of competitors in these same markets, broker forecasts, the market and economic outlook, and latest internal forecasts. The Committee may adjust and/or set different performance measures and targets following a corporate event (such as a change in strategy, a material acquisition and/or divestment of a Group business) or a significant change in prevailing market conditions either specific to the Company's sector or macro-economic events which causes the Committee to determine that the measures and/or targets are no longer appropriate and that amendment is required so that the relevant award achieves its original purpose provided that the new targets are not materially less difficult to satisfy.

How the Executive Director pay policy aligns to the remuneration policy for other employees

Inmarsat operates remuneration arrangements to support our business strategy and attract and retain high-performing individuals. These principles apply to all employees across the Group, including the Executive Directors. As a global organisation, we also ensure that remuneration arrangements, particularly pensions and employee benefits are appropriate to each local market in which we operate.

The financial metrics and targets for our group-wide bonus plan are consistent with those which apply to the Executive Directors. The members of the Group Executive Management Team (senior direct reports to the CEO) participate in the PSA along with the two Executive Directors. Some performance measures are different for the Executive Team.

We also operate sales incentive plans for our front-line sales employees, which have measures and targets appropriate for their roles and accountabilities.

The Executive Directors participate in the same pension and benefits programmes as other employees in the UK. We do not operate separate 'executive pension or benefits plans'.

Inmarsat operates a number of all employee share plans, which have defined rules and are subject to local regulations. Currently these are the UK Sharesave Scheme, Employee Share Participation Plan (for U.S. and Canadian employees) and the International Sharesave Scheme. The Executive Directors are eligible to participate in the plans relevant to their geography on the same basis as other local employees.

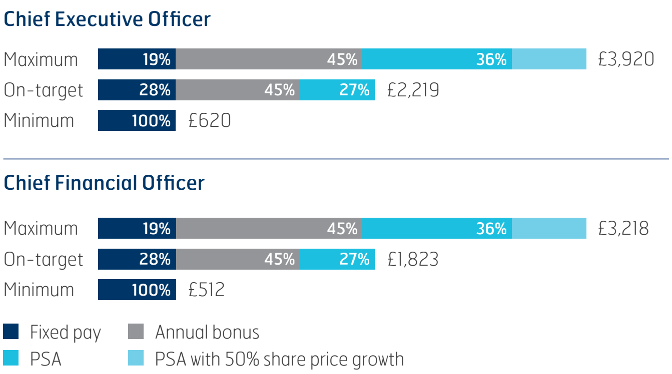
The Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. This relates to our philosophy around levels of base salary, operating bonus plans for all employees, pension entitlement and provision of benefits also being available across the Group.

The Group consults with its employees on general employment policies in a range of ways, including formal consultation forums in some countries where it operates. Our staff are encouraged to provide feedback directly to their line managers or to the HR team or to a confidential email address which will receive queries on all issues including anti-bribery.

Pay scenario charts for the CEO and CFO

The following charts illustrate the potential future reward opportunities for the two current Executive Directors (CEO and CFO), and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'Target', and 'Maximum'. Potential reward opportunities are based on Inmarsat's incentive opportunities for FY19, applied to salaries as at 1 January 2019. The Maximum scenario includes an additional element to represent 50% share price growth from the date of grant to vesting but apart from this the projected values exclude the impact of any share price movement.

PAY SCENARIOS £000



Each element of remuneration reflects the following assumptions:

- **Minimum:** includes fixed remuneration only, i.e. base salary as at 1 January 2019, taxable benefits (as disclosed for the previous financial year) and pension
- **Target:** includes fixed remuneration plus 60% of the maximum annual bonus opportunity and 50% of the PSA award
- **Maximum:** includes fixed remuneration and maximum payment under the annual bonus (200% of salary for both the CEO and CFO) and PSA (250% of salary for both the CEO and CFO), and includes the total maximum remuneration assuming 50% share price growth in PSA awards

Approach to recruitment remuneration

The remuneration package for a new Director will be set within the terms of the approved Remuneration Policy.

In determining appropriate remuneration arrangements for a newly recruited Executive Director the Committee will take into consideration all relevant factors (including but not limited to current remuneration, the structure of remuneration for other Inmarsat executives, external market data and the jurisdiction the candidate was recruited from and may be based in). The Policy enables the Committee to include benefits such as relocation assistance, housing or schooling expenses, paying only what is necessary to secure the right candidate and limiting certain benefits to a specified period where possible.

Annual bonus opportunity will normally reflect the period of service for the year.

For an internal appointment any incentive plans in respect of an executive's prior role will normally be allowed to continue according to its original terms.

Remuneration Report
continued

The Committee may compensate on hiring an external candidate for incentive pay forfeited or benefits foregone on leaving a previous employer. Replacement cash or share awards would take account of quantum forgone, any performance conditions attached to incentive pay awards, the form in which they were granted (for example, cash or shares), the time over which they would have vested, the likelihood of meeting any performance conditions and the share price at the time of buy-out. The Committee may grant Performance Share Awards or Restricted Share Awards if these reflect the terms of the awards forfeited. The Committee may grant these incentive awards under the provision provided for under Listing Rules (Chapter 9.4.2).

Executive Director service contracts and exit payment policy

Executive Director	Date of service contract	Term of office	Notice period
Rupert Pearce	18 January 2012	Indefinite until termination by either party	12 months' written notice by Company or Director
Tony Bates	21 February 2014	Indefinite until termination by either party	12 months' written notice by Company and six months' written notice by the Director

Notice periods will not exceed 12 months and for future appointments the same notice period will apply for both the Company and Director.

The Executive Directors have a clause to allow a payment in lieu of notice to be made. For the Executive Directors, the Company may make such payments monthly (up to 12 months) and these payments shall be reduced if the executive finds alternative employment.

At the discretion of the Committee a pro-rata bonus may become payable at the normal payment date for the period of active employment with financial performance targets based on full year performance.

The default treatment for share based awards is that any unvested award will lapse on termination of employment. However, in certain prescribed circumstances, such as death, injury, ill-health, retirement with the Company's agreement, redundancy, leaving the Group because the employer company or business leaves the Group or where the Committee determines otherwise, awards would be eligible to vest subject to the performance conditions being met over the normal performance period (or a shorter period in exceptional circumstances at the Committee's discretion) and with the award being reduced by an amount to reflect the proportion of the performance period not actually served (unless the Committee considers, in exceptional circumstances, a different treatment is appropriate).

The Company may also pay outplacement, legal and other reasonable relevant costs associated with termination and may settle any claim or potential claim relating to the termination.

Upon a change of control of the Company, share awards vest in accordance with the Executive Share Plan Rules, based on the extent to which the Committee determines that the performance conditions have been met and normally scaled back pro rata. For the annual bonus, the Committee will assess performance against targets at the point of change of control and any resulting bonus will be pro-rated for time and paid thereafter.

Non-Executive Directors

The Non-Executive Director ('NED'), receives a letter of appointment that summarises the time commitment expected of them and sets out details of their fees (base fee and Committee membership fee).

Element	Purpose and link to strategy	Operation	Maximum
NED fees	To provide fees reflecting time commitments and responsibilities of each role to enable recruitment of the right calibre of NED who can further the interests of the Group through their experience, stewardship and contribution to strategy	All NEDs are paid a basic fee at the same level. The Committee Chairmen and other members of the Board Committees (currently but not limited to Audit, Remuneration, Nominations and Telecoms Regulatory Committees) and the Senior Independent Director are paid supplements to reflect their additional responsibilities and time commitment. Supplements may also be paid for any new roles or responsibilities that the NEDs may undertake. The Chairman of the Board is paid a single fee for all his responsibilities. NED fee levels are reviewed periodically by the Chairman and Executive Directors with reference to market levels in comparably sized FTSE companies as well as any increase in the scale, scope or responsibility of the role and a recommendation is then made to the Board. The Chairman's fee is reviewed periodically by the Committee taking into account time commitment, performance and fee levels at comparator companies and is then approved by the Board. If any changes are to be made, they are usually effective in July. Reasonable expenses incurred by the NEDs in carrying out their duties may be reimbursed by the Company including (grossed up) any personal tax payable by the Non-Executive Directors as a result of reimbursement of those expenses. Healthcare cover is provided for the Chairman, as a continuation of the cover provided to him previously as an Executive.	The maximum annual aggregate fee for all Group NEDs is set out in the Company's Articles of Association.

NED appointments are initially for three years and unless agreed by the Board, NEDs may not remain in office for a period longer than six years, or two terms in office, whichever is the shorter unless the Nominations Committee recommends them to the Board to continue in the role past six years. All NEDs are subject to re-election by shareholders at each AGM.

Non-Executive Directors do not have service contracts but letters of appointment with appointment terminating on:

- A Director choosing to resign voluntarily
- A Director being prohibited from serving by law, bankruptcy or illness
- If the Nominations Committee does not approve the extension of the appointment
- A Director is found guilty of misconduct or
- A Director is not re-elected by the shareholders following retirement at an AGM

Dates of NED appointment letters are as follows:

Name	Date of appointment letter	Date of appointment
Simon Bax	28 May 2013	18 June 2013
Sir Bryan Carsberg	18 April 2005	22 June 2005
Tracy Clarke	29 January 2019	1 February 2019
Warren Finegold	13 March 2017	1 August 2017
General C. Robert Kehler (Rtd)	13 March 2014	6 May 2014
Phillipa McCrostie	18 May 2016	1 September 2016
Janice Obuchowski	6 May 2009	5 May 2009
Dr Abe Peled	10 May 2013	18 June 2013
Robert Ruijter	16 December 2014	1 February 2015
Andrew Sukawaty	16 September 2014	1 January 2015
Dr Hamadoun Touré	16 December 2014	1 March 2015

External appointments

Executive Directors serving as Non-Executive Directors on the Board of other companies are permitted to retain all remuneration and fees earned from outside directorships subject to a maximum of two external Board appointments. Directors accepting such positions shall take into account any guidelines for external directorships as contained in the UK Corporate Governance Code, subject at all times to pre-authorisation of the appointment by the Chairman. NEDs taking additional board positions are asked to speak to the Chairman in advance to ensure no conflict of interest and for the Chairman to speak to the Senior Independent Director for anything affecting him.

Consideration of shareholder views

The Remuneration Committee Chairman, Company Chairman, Senior Independent Director and Company Secretary engage proactively with major shareholders and shareholder representatives whenever appropriate. The Committee is always open to feedback from shareholders on its Remuneration Policy and operation and is committed to consulting shareholders in advance of making changes to Policy and its implementation. The Committee also considers specific investor remuneration guidelines as well as those of proxy voting agencies.

Remuneration Report
continued

Annual report on remuneration

The following section provides details of how Inmarsat's 2017 Remuneration Policy was implemented during the financial year ended 31 December 2018 and how the Committee intends to implement the new Policy which is subject to shareholder approval at our 2019 AGM.

Remuneration Committee membership in 2018

The Committee consists of independent Non-Executive Directors. We had five scheduled meetings during the year to discharge our responsibilities. In 2018, because of the need for preparation and consultation on a new Policy, we have held multiple additional Committee meetings and conference calls. Committee membership and attendance at scheduled meetings are set out in the table below:

Committee members	Attendance
Simon Bax (Committee Chairman)	5/5
Warren Finegold	5/5
General C. Robert Kehler (Rtd)	5/5
Pip McCrostie	1/1

Pip McCrostie was appointed to the Committee in December 2018. Tracy Clarke who joined the Inmarsat plc Board in February 2019 has also been appointed to the Committee.

During the year, the Committee operated to a forward agenda which ensured that items were discussed at the appropriate time during the year. In addition to regular standing items, following the high level of shareholder dissent at the AGM the key focus has been on engaging with shareholders to understand their concerns and designing a new policy to be presented to shareholders at the 2019 AGM. This has entailed significant work to design the new policy and its operation for FY19 and discuss this with our institutional shareholders and shareholder representative bodies.

Advisors

During 2018, the Committee received input from Andrew Sukawaty (Chairman), Rupert Pearce (CEO), Tony Bates (CFO), Alison Horrocks (Chief Corporate Affairs Officer and Company Secretary), Natasha Dillon (Chief People Officer) and Alan Moore (Director of Reward). Dr Abe Peled, the Senior Independent Director, and Sir Bryan Carsberg also attended meetings. No member of management is present at a Committee meeting when their own remuneration arrangements are being discussed.

Korn Ferry was appointed by the Committee as its independent advisor in June 2018 following a tendering process. Until Korn Ferry's appointment the Committee received advice from Mercer Kepler. Both Korn Ferry and Mercer Kepler reported directly to the Committee Chairman and are signatories of the Code of Conduct for Remuneration Consultants (which can be found at remunerationconsultantsgroup.com). Korn Ferry provides other consulting services on leadership development, but this is an entirely separate team independent from the team advising the Committee and the advice to the Committee is therefore considered independent. Mercer Kepler's parent, the MMC Group, provides only unrelated services to the Company in the areas of pension investment advice and actuarial services to the Trustee to the Inmarsat UK Pension Plan and Mercer Kepler was therefore also considered independent. During 2018, Mercer Kepler's fees were based on time and materials and in relation to advice to the Committee (excluding VAT and expenses) totalled £20,814 (2017: £49,520). Korn Ferry's fees were based on time and materials and (excluding VAT and expenses) totalled £150,000.

Summary of shareholder voting at the 2017 and 2018 AGM on Remuneration matters

At the 2017 Annual General Meeting ('AGM'), shareholders were asked to approve the current remuneration policy. At the 2018 AGM shareholders were asked to approve the FY17 Annual Report on Remuneration. The votes received for the Policy resolution at the 2017 AGM and the Annual Report on Remuneration at the 2018 AGM and shown below:

	2018 AGM: Vote on the 2017 Annual Report on Remuneration		2017 AGM: Vote on the Directors' Remuneration Policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	141,196,411	41.51%	291,331,925	90.39%
Against	198,994,463	58.49%	30,971,298	9.61%
Total votes cast (excluding withheld votes)	340,190,874		322,303,223	
Votes withheld	22,105	n/a	29,263,436	n/a

The vote on the Annual Report on Remuneration was defeated at the 2018 AGM. Accordingly, the Company is required to bring its Directors' Remuneration Policy to shareholders for approval at its 2019 AGM, a year early. Since the 2018 AGM the Committee has conducted a detailed review of its current Directors' Remuneration Policy as well as the implementation of its Policy. This has included extensive consultation with investors and proxy voting agencies. This exercise has resulted in a new revised policy being brought to shareholders for approval at the 2019 AGM as well as the revision of certain aspects of policy operation for FY18.

Further details of the changes made and the new policy are set out in the Remuneration Chairman's Annual Statement and Policy Section of this Remuneration Report.

Total remuneration paid to Executive Directors (audited)

The table below sets out the total remuneration received by each Executive Director for the year ended 31 December 2018 and the prior year:

	Rupert Pearce £000			Tony Bates £000		
	2018 (before discretion)	**2018 (after discretion)**	2017	2018 (before discretion)	**2018 (after discretion)**	2017
Basic salary	594	**594**	583	487	**487**	477
Taxable benefits[1]	2	**2**	3	2	**2**	3
Pension[2]	17	**17**	17	17	**17**	17
Annual cash bonus[3]	575	**575**	478	495	**495**	422
Bonus Share Award[4]	1,008	**415**	492	781	**317**	381
Performance Share Award[5]	150	**75**	121	116	**58**	92
Total[6]	2,346	**1,679**	1,694	1,898	**1,377**	1,392

1 Taxable benefits: include healthcare
2 Pension: payment made by the Company as cash in lieu of pension (see page 95 for details)
3 Annual cash bonus: cash bonus payments in relation to the financial years ended 31 December 2018 and 2017 (see pages 92 to 94 for details)
4 BSA: Shows the value of the BSA shares in relation to financial performance measured during the financial years ended 31 December 2018 and 2017. Performance targets tested over the relevant financial year determine the number of BSA shares that will vest on the relevant vesting dates. For 2017, the value is based on the spot share price on the determination date (being 9 March 2018) of £4.33. The award value has been revised from last year's report to reflect the actual share price on determination. For 2018, the share price for the award is valued using the average share price over the last quarter of 2018 of £4.43. The mid-market share price at the date of grant on 9 March 2018 was £4.33
5 PSA: the value at vesting of awards where vesting is determined by performance over the three-year periods ended 31 December 2018 and 31 December 2017. For 2017, the 2015 PSA is valued based on the spot share price on the vesting and sale date of £3.492. The award value has been revised from last year's report to reflect the actual share price on vesting, plus additional shares representing reinvested dividends. For 2018, as the share price on the vesting date is currently unknown, the 2016 PSA is valued using the average share price over the last quarter of 2018 of £4.43
6 The total remuneration figure for FY17 has been restated to reflect the actual value of PSA and BSA awards that vested in respect of FY17 performance (rather than basing this on the closing three month average share price for FY17). As the share price reduced significantly between the FY17 year end and the actual date of vesting, the total remuneration actually received by executive directors was significantly lower than the total single figure shown in last year's Directors' Remuneration Report by £181,000 and £140,000 for the CEO and CFO respectively

Incentive outcomes for the year ended 31 December 2018 (audited)

Annual cash bonus in respect of 2018 performance

The annual cash bonus was based on the achievement of Group financial targets for 70% of the bonus and individual performance objectives for the remaining 30%. The financial performance targets (70%) were split as to Group revenue 33% and EBITDA 67%.

Performance against targets and resulting bonus payable is set out below:

		Performance targets				
Financial performance measure	Weighting (% of financial element)	Threshold ($m) 0% of max payable	Target ($m) 60% of max payable	Stretch ($m)	Actual performance ($m)	Actual bonus outcome (% of financial element)
EBITDA	67%	673.3	748.1	785.5	770	83.8%
Revenue	33%	1,293.6	1,437.3	1,509.2	1,465	75.6%
Total	100%					81.1%

The individual performance objectives for the Executive Directors and scoring are set out below:

Rupert Pearce

Objectives	Weighting	Achievements towards objectives/performance targets set at the start of the year	Scoring overall (as a % of maximum)
Capture maximum number of broadband platforms	40%	Good progress on Maritime and aviation installation targets	9% (out of 12%)
Reposition L-band for new growth	25%	Partial achievement of Maritime targets Good delivery against Aviation, USG and Enterprise objectives	5% (out of 7.5%)
Establish our digital platform and business	10%	A miss on Maritime objectives but good progress made on other digital products with a solid pipeline generated	1% (out of 3%)
Create high performance organisation	10%	Objective of delivering new operating model for ABU partially completed Excellent progress against People objectives Successful merger of IG and USG business units	2.5% (out of 3%)
Transform our operating environment	15%	Successful delivery of major IT project on Billing systems and Customer Excellence Programme	3.5% (out of 4.5%)
Total score out of 30%			21%

Remuneration Report
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Tony Bates

Objectives	Weighting	Achievements towards objectives/performance (as % of maximum)	Scoring overall
Add value to the bottom line	50%	Significant overachievement against Cost Savings targets	14% (out of 15%)
Transform the Finance operating environment	40%	Delivered scheduled BTP releases (but at a higher cost than estimated) and Atlas roll-out Much more robust Long Range Business Plan	8% (out of 12%)
Create a high performing Finance function	10%	Strengthened senior finance team and processes	2.5% (out of 3%)
Total score out of 30			24.5%

The calculation of cash bonus outcome is set out below:

	Weighting	Actual bonus outcome (% of maximum)	Maximum bonus (% salary)	Actual bonus (% salary)
Financial element	70%	**81.1%**	87.5%	70.1%
Individual objectives	30%	CEO 70% CFO 82%	37.5%	CEO 26.3% CFO 30.1%
Total	100%	CEO 77.5% CFO 81.3%	125%	CEO 96.8% CFO 101.7%

Executive Director	Salary £	Actual 2018 bonus (% of salary)	Actual bonus £
Rupert Pearce	594,000	96.8%	575,266
Tony Bates	487,000	101.7%	495,000

BSA in respect of 2018 performance

The number of conditional shares subject to the 2018 BSA award made on 12 March 2018 at a share price of £4.327 that will be confirmed in March 2019 is determined by financial performance during FY18 as set out below. 2018 is the final year in which the Executive Directors will participate in an award under the BSA.

		Performance targets					
Performance measure	Weighting (% of financial element)	Threshold ($m) 60% of award vests	Target ($m) 80% of award vests	Stretch ($m)	Actual performance ($m)	Actual BSA outcome (% of element) before application of discretion	Actual BSA outcome following application of discretion
EBITDA	67%	673.3	748.1	785.5	770	91.9%	
Revenue	33%	1,293.6	1,437.3	1,509.2	1,465	87.8%	
Total	100%					90.5%	**37.3% (CEO)** **36.7% (CFO**

Based on performance, although before discretion 90.5% of the original allocation of shares made in March 2018 would have been confirmed, after discretion by the Committee, a reduced number will be confirmed in March 2019 and vest in equal tranches in March 2020, 2021 and 2022. The table below shows the confirmation of the number of shares awarded for the 2018 BSA and an estimate of the value of the shares that will vest.

Executive Director	Maximum monetary award	Market value of a share on award (9 March 2018)	Number of shares awarded in March 2018	Vesting level based on performance for year ended 31 December 2018	Value of shares that will vest before application of discretion*	Value of shares that will vest following application of discretion*	Confirmed number of shares based on vesting percentage after discretion
Rupert Pearce	£1,088,910	£4.33	251,655	90.5%	£1,008,082	**£414,997**	**93,756**
Tony Bates	£843,850	£4.33	195,020	90.5%	£781,213	**£316,961**	**71,608**

* Value of BSA at the time the number of shares is confirmed is calculated using a rounded share price of £4.43 (three month average to 31 December 2018) as the actual share price will only be known in March 2019

2016 PSA award in respect of performance over the three years ending 2018

In 2016, the CEO and CFO received awards of conditional shares under the PSA, for which the performance period ended on 31 December 2018 with vesting and performance against the performance conditions as set out below:

Executive Director	Date of grant	Award as % of salary	Number of shares subject to Award (2016)	Market price of a share at date of award	Face value at grant of award (2016)	Value of shares on vesting before application of discretion*	Value of shares following application of discretion*	Number of shares Vesting	Vesting date
Rupert Pearce	23 March 2016	185%	112,564	£9.30	£1,046,845	£149,473	£74,737	16,884	23 March 2019
Tony Bates	23 March 2016	175%	87,241	£9.30	£811,341	£115,845	£57,950	13,092	23 March 2019

*Value of the PSA at vesting is calculated using a rounded share price of £4.43 (three month average to 31 December 2018) as the actual share price will only be known in March 2019. The number of shares vesting will have additional shares in lieu of accrued dividends added to this number

Performance measure	Weighting (% of maximum)	Performance target	Actual performance	Actual vesting outcome
Three-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	**Below median:** nil vesting **Median:** 30% vesting **Upper quartile:** 100% vesting (straight-line vesting applies between median and upper quartile)	89 out of 93	0% (out of 30%)
Three-year EBITDA growth p.a. (excluding Ligado)	30%	**Less than 5%:** 0% vesting **11%:** 100% vesting (straight-line vesting applies between 5% and 11%)	0.16% p.a.	0% (out of 30%)
Strategic objectives	40%	The strategic objectives and performance against them are noted below	See below	30%[1] (out of 40%)
Total vesting outcome				30%[1] of total award

1 The 30% out of 40% assessment for the Strategic Element of the PSA has been reduced by the Committee to 15% out of 40%, after considering the broader performance (financial and TSR) over the three-year performance period. This results in a total vesting outcome of 15% of the total award

Details of performance against the strategic objectives:

Strategic objectives	Weighting	Achievements towards objectives/performance	Scoring
Complete successful market entry for next generation of Inmarsat satellites	40%	1. Successful satellite launch of GX-4 2. Required run rate of GX revenue targets achieved by H2 2018 and on track to achieve 5 year goal of $500m 3. Successful conversion of XL into GX Maritime by H2 2019 4. Successful foray into Energy/resources markets 5. Successful extension into broader Government and milsatcoms markets including delivery of Boeing Take or Pay agreement 6. Successful extension into selected Enterprise markets 7. Successful extension into global Air Passenger market	100% 60% 100% 50% 80% 0% 90%
Put in place all key building blocks of Aviation business case (to support material revenues forecast for beyond 2017)	10%	1. Deliver S-band satellite on time and to budget for launch no later than H1 2017 2. Deliver ACGC network and on-board equipment for first revenues in 2017 3. Secure spectrum via 25+ MSS licences no later than H2 2017 4. Secure opportunity by 28+ ACGC licences no later than end 2017 5. Secure airline wins/strategic channel/technology partners for future revenue ramp 6. Run rate of European revenues/installations through EAN on track to deliver set targets	100% 80% 100% 90% 100% 20%
Aggressively work to sustain L-band revenues despite GX migration, on-going US sequestration and increasing competition	30%	1. Level of L-band revenues in 2018 vs. 2015 2. Level of new revenues from key replacement revenue product programmes, for example : IsatPhone, IsatHub, IDP, SB200, Fleet One, BRM/RFIC productisation and L-TAC 3. Success in key globalisation programmes – through Global Government outreach, greater focus on India, China market opportunities and channel evolution	70% 50% 100%
To maximise the overall net contribution of Ligado to Inmarsat	20%	To maximise the overall net contribution of Ligado to Inmarsat	100%
Remuneration Committee overall assessment of performance			75% out of 100% (30% out of 40%) before application of discretion

Remuneration Report
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Additional disclosure of 2017 performance targets (audited)

Annual cash bonus in respect of 2017 performance

Last year, the Company committed to disclose the 2017 bonus financial targets in this year's Annual Report on Remuneration. The targets and actual performance against them are set out below. In future the Annual Report on Remuneration will disclose performance targets for the annual bonus and performance against them for the reporting year just ended.

		Performance targets for 2017 Financial Year				
Performance measure	Weighting (% of financial element)	Threshold ($m) 0% of max payable	Target ($m) 60% of max payable	Stretch ($m)	Actual performance ($m)	Actual bonus outcome (% of financial element)
EBITDA	67%	620	730	803	732	65.1%
Revenue	33%	1,252	1,391	1,461	1,400	61.1%
Total	100%					62.8%

Costs in respect of workforce reduction were not budgeted for at the start of 2017 and therefore not taken into account in target setting but were included in the EBITDA outturn for calculation of bonus purposes.

The calculation of the cash bonus outcome which was paid in March 2018 is set out below:

	Weighting	Actual bonus outcome (% of maximum for each element)	Maximum bonus (% salary)	Actual bonus (% salary)
Financial element	70%	62.8%	87.5%	54.95%
Individual objectives	30%	CEO 73.3% CFO 90.0%	37.5%	CEO 27.49% CFO 33.75%
Total	100%	CEO 65.7% CFO 70.7%	125%	CEO 82.5% CFO 88.7%

Individual objectives and performance against them was disclosed in last year's Annual Report on Remuneration.

Executive Director	Salary £ in 2017	Actual bonus (% of salary)	Actual bonus £
Rupert Pearce	530,818	82.5%	478,000
Tony Bates	477,485	88.7%	422,000

BSA in respect of 2017 performance

The 2017 BSA targets and actual performance against them are set out below:

		Performance targets				
Performance measure	Weighting (% of financial element)	Threshold ($m) 60% of max payable	Target ($m) 80% of max payable	Stretch ($m)	Actual performance ($m)	Actual bonus outcome (% of element)
EBITDA	67%	620	730	803	732	82.6%
Revenue	33%	1,252	1,391	1,461	1,400	80.5%
Total	100%					81.22%

Costs in respect of workforce reduction were not budgeted for at the start of 2017 and therefore not taken into account in target setting but were included in the EBITDA outturn for calculation of bonus purposes.

Executive Director	Maximum monetary award	Market value of a share on award (9 March 2017)	Number of shares awarded in March 2017	Vesting level based on performance for year ended 31 December 2017	Confirmed number of shares based on vesting percentage	Value of shares that vested on 9 March 2018 (date of determination) at £4.33
Rupert Pearce	£1,068,187	£7.62	140,182	81%	113,779	£492,663
Tony Bates	£827,890	£7.62	108,647	81%	88,183	£381,832

Scheme interests awarded in 2018 (audited)

2018 PSA award in respect of performance over the period 2018 – 2020

In March 2018, the Executive Directors received PSA share awards which will vest on the third anniversary of grant subject to performance over the three years to 31 December 2020. At vesting, shares can be sold to cover the tax liability due and the balance must be retained for a further period of two years.

Executive Director	Date of grant	Number of shares subject to Award	Market price of a share at date of award	Face value at date of award	Award as % of salary	Vesting date
Rupert Pearce	12 March 2018	251,655	£4.33	£1,088,910	185%	12 March 2021
Tony Bates	12 March 2018	195,020	£4.33	£843,850	175%	12 March 2021

Vesting of the awards is determined by the following performance targets:

Performance measure	Weighting (% of maximum)	Performance target
Three-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	**Below median:** nil vesting **Median:** 30% vesting **Upper quartile:** 100% vesting (straight-line vesting applies between median and upper quartile)
Three-year EBITDA growth p.a. (excluding Ligado)	30%	**Less than 3%:** nil vesting **3%:** 0% vesting **7%:** 100% vesting (straight-line vesting applies between 3% and 7%)
Strategic objectives	40%	The strategic objectives are: › capture the maximum number of broadband platforms for our high-speed GX services and EAN aviation service › reposition L-band for new growth by focusing on additional targeted market opportunities › establish our digital platform and business to drive new services and product innovation › transform our operating environment to be more efficient in service delivery for customers and efficiency for all stakeholders › maximise the overall contribution from an ongoing key strategic contract › create a high-performance organisation which enhances our employee value proposition and encourages a high-performance culture The objectives will be disclosed in detail at the end of the three-year performance period. They will be reassessed separately for performance against each objective.

In 2017, the Executive Directors received a PSA award for the period 2017 – 2019 which will vest in March 2020 subject to performance conditions being met with the requirement to retain a net number after tax of the resulting shares for a further two years. The strategic objectives for the 2017 PSA are shown below. The other performance measures are EBITDA growth and TSR performance. Full details of performance against all measures will be provided in the 2019 Annual Report.

Strategic objectives	40%	The strategic objectives are: › Global Xpress: complete successful market entry to satellite broadband market through the next generations of Inmarsat satellites › Aviation: put in place all key building blocks of the aviation business case (to support material revenues forecast over the LRBP period) › L-band: work assiduously to sustain L-band revenues despite L-band migration and both ongoing tight budgets and strong competition in all markets › Strategic contract: maximise the overall net contribution of the contract to Inmarsat The objectives will be disclosed in detail at the end of the three-year performance period. They will be assessed separately for performance against each objective.

Pension (audited)

The current employer contribution to the pension scheme (subject to the cap of £153,600 for the 2017/18 tax year and £160,200 for the 2018/19 tax year) is 12.5% of capped salary. The capped salary level increases nominally each year.

Mr Pearce and Mr Bates receive a cash supplement of 12.5% of capped salary. This amount is reduced by the cost to the Company of the employer national insurance, the effect of which is that the Executive Directors receive an equivalent 11% of capped salary, or approximately 3% of their gross salary.

Executive Director	Pension value
Rupert Pearce	£17,000 paid in 2018
Tony Bates	£17,000 paid in 2018

Remuneration Report
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Fees paid to Non-Executive Directors (audited)
The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2018 and the prior year:

	Base fee £000		Additional fees £000		Taxable benefits £000[1]		Total £000	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Andrew Sukawaty[2]	**318.8**	312.6	**0.0**	0.0	**19.1**	18.0	**337.9**	330.6
Simon Bax	**55.6**	54.5	**15.3**	15.2	**0.0**	0.4	**70.9**	70.1
Sir Bryan Carsberg	**55.6**	54.5	**10.3**	16.7	**0.9**	1.1	**66.8**	72.3
Warren Finegold	**55.6**	23.0	**11.2**	4.7	**0.0**	0.1	**66.8**	27.7
General C. Robert Kehler (Rtd)[3]	**111.2**	109.1	**6.5**	5.5	**0.0**	0.0	**117.7**	114.6
Phillipa McCrostie[4]	**55.6**	54.5	**6.1**	5.5	**1.7**	1.9	**63.4**	62.0
Janice Obuchowski	**55.6**	54.5	**11.2**	11.1	**0.0**	0.0	**66.8**	65.6
Dr Abe Peled	**55.6**	54.5	**31.0**	30.3	**0.0**	0.0	**86.6**	84.8
Robert Ruijter	**55.6**	54.5	**15.3**	15.2	**0.0**	0.0	**70.9**	69.7
Dr Hamadoun Touré	**55.6**	54.5	**11.2**	11.1	**0.0**	0.0	**66.8**	65.6
Total	**874.8**	826.4	**118.1**	115.3	**21.7**	21.5	**1014.6**	963.2

1 The taxable benefits received by the Non-Executive Directors were associated with accommodation costs incurred with attendance at two-day Board meetings. The tax due in respect of these benefits is settled by the Company. The Company also reimburses the travel costs incurred by the Non-Executive Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. The figures shown in the table are gross amounts
2 Mr Sukawaty receives healthcare cover
3 The fees for General C. Robert Kehler (Rtd) include a fee of £55,631 as a Non-Executive Director of Inmarsat Inc, a wholly-owned subsidiary in the U.S. and additionally includes a fee for joining the Nominations Committee in November 2018
4 Mrs McCrostie joined the Remuneration Committee in December 2018 and is entitled to a fee for participating in this Committee

Exit payments to departing Directors made in the year (audited)
There were no exit payments made in 2018.

Payments to past Directors (audited)
No payments were made to past Directors in 2018.

External appointments for Executive Directors
The Executive Directors do not currently hold positions in other companies as Non-Executive Directors. Mr Pearce holds various positions in organisations affiliated to the satellite industry which are disclosed in his biography on page 62; none are currently fee-paying.

Implementation of remuneration policy for 2019

Base salary
Salaries are typically reviewed annually in July for the Executive Directors and the general workforce. The Committee conducted its 2018 salary review in July 2018 and approved an increase of 2% for both the CEO and the CFO. This is consistent with the increase across the Executive Management Team and is below the average salary increase across the Group of 2.4% and across eligible UK employees of 2.7%. Salaries will next be reviewed in July 2019, which is the same time for the general workforce. The table below shows the Executive Directors' salaries as at July 2017 and July 2018.

Executive Director	Salary at 1 July 2017	% change	Salary at 1 July 2018
Rupert Pearce	£588,600	2%	£600,400
Tony Bates	£482,200	2%	£491,800

Pension
Pension contribution will be unchanged at approximately £17,000 for each Executive Director.

Annual bonus
The maximum annual bonus opportunity for Executive Directors will be 200% of salary for each of the CEO and CFO. The performance measures and weightings are set out below.

Measure	Weighting
EBITDA	50%
Revenue growth	30%
Individual strategic measures	20%

Revenue and EBITDA are significant operational KPIs for the business and stretching sliding scale targets have been set for both measures.

The individual objectives for the CEO and CFO will be based on the following:

Rupert Pearce

Objectives	Weighting	Basis for assessment at the year end
Maritime growth	30%	Maritime revenue, vessel installations and customer retention
Aviation growth	30%	Number of aircraft installed and in-flight connectivity revenue
Technology advancement	25%	Delivery of key technology projects in line with approved business plans
Strategic activity	15%	Management of key strategic risks

Tony Bates

Objectives	Weighting	Basis for assessment at the year end
Procurement cost savings	30%	Cost savings for 2019 vs. previous years
Execution of Corporate Financing initiatives	30%	Achievement of Board agreed corporate financing goals
Commercial architecture rollout	25%	Successful delivery of key finance systems
Working capital improvements	15%	Reduction in working capital at year end vs. 2019 budget

50% of the bonus is paid in cash and 50% will be used by the Executive Directors to acquire shares in the Company that must be held as to one-third for a further one, two and three years. The shares are owned beneficially but cannot be sold before the end of the holding period; they will also remain subject to clawback.

PSA award

A PSA award will be granted immediately after the May 2019 AGM using the then share price. The award will be made in May 2019 as it is part of the new remuneration policy. The level of award will be 250% of salary for the CEO and CFO.

Performance conditions will be measured over the three years to 31 December 2021 and awards will vest after the announcement of results for the year ended 31 December 2021. A mandatory two-year holding period applies to vested PSA awards. No shares may be sold during the holding period except to cover tax liabilities.

The performance conditions are as follows:

Performance measure	Weighting (% of maximum)	Performance target
Three-year TSR vs. FTSE 250 (excluding investment trusts)	50%	**Below median:** nil vesting **Median:** 25% vesting **Upper quartile:** 100% vesting (straight-line vesting applies between median and upper quartile)
Aggregate free cash flow[1]	25%	**Less than -$50m:** nil vesting **-$50m:** 25% vesting **$150m:** 100% vesting (straight-line vesting applies between -$50m and $150m)
Strategic Objectives[2]	25% broken down below	
Maritime growth: Delivery of a market-leading, profitable maritime broadband service and securing our legacy FleetBroadband customer base	35%	The number of vessels installed, revenue and the Maritime business EBITDA
Aviation growth: Delivery of a market-leading, profitable aviation broadband business	35%	The number of aircraft installed, revenue and Aviation BU EBITDA
Infrastructure development and deployment: Transformation of our global network infrastructure	30%	Successful launch of satellites and development of future technologies

In line with past practice all financial performance measures used for the PSA exclude the financial contribution from the contract signed in 2007 with Ligado Networks.

1 Free cash flow performance will be disclosed in the financial statements each year. The target range recognises that we are in an investment phase of our strategy, as already communicated to investors and the market. Targets have been set, and performance will be measured, excluding only the outcome of a long outstanding tax matter that is also disclosed separately in the Company's financial statements. Overall the Committee is satisfied that the range is appropriately stretching in view of the outlook for the business

2 Aside from financial measures our long-term strategy means that, more so than most other companies, we must make key strategic decisions for the long-term interests of our shareholders and all stakeholders. This means we consider that it is important to assess a proportion of PSA awards against the strategic milestones which contribute towards the achievement of our long-term goals

Remuneration Report
continued

Non-Executive Directors' fees

The current NED fee levels are set out in the table below. Fees were reviewed during the year in the context of market fee levels and time commitment, and increased by 2% with effect from July 2018.

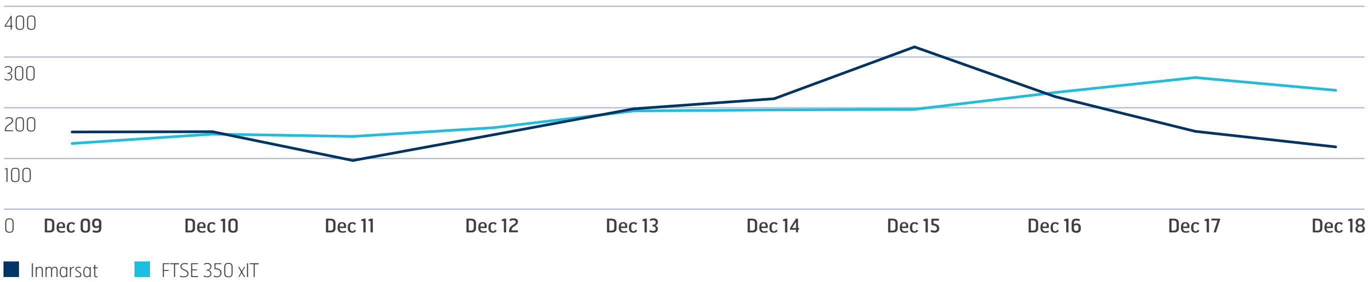
NED fees as at 31 December 2018	Amount
Basic fee	£56,182
Senior Independent Director (inclusive of any additional Committee fees)	£87,190
Non-Executive Chairman (inclusive of any additional Committee fees)	£322,004
Additional Committee fees:	
Chairman of the Audit Committee	£15,300
Chairman of the Remuneration Committee	£15,300
Chairman of the Nominations Committee	£10,200
Chairman of the Telecoms Regulatory Committee	£10,200
Committee membership (per Committee)	£5,610

Fees will next be reviewed in July 2019 and any increases will be for the decision of the Board, excluding the Non-Executive Directors. The Chairman also receives international healthcare cover (£19,077 in 2018).

Total shareholder return

The following graph shows the Company's performance over the last ten years, measured by total shareholder return on a holding in the Company's shares compared to a hypothetical holding of shares in the FTSE 350 index (excluding investment trusts). The FTSE 350 index has been selected as it provides a view of our performance against a broad equity market index, and Inmarsat is a constituent of the index.

TOTAL SHAREHOLDER RETURN



CEO ten-year remuneration history (audited)

The table below details the Chief Executive's total remuneration and actual variable pay outcomes over the same ten-year period. For the years 2009-2011, the Executive Chairman and Chief Executive (Andrew Sukawaty ('AS')) was the same individual reflecting a salary for the combined role. Rupert Pearce ('RP') became Chief Executive on 1 January 2012.

Year ended		31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018
Single figure of total remuneration[1] (£000)	AS	2,218	3,661	2,819	3,850[2]	2,511[2]	4,427[2]	–	–	–	
	RP	–	–	–	1,596	1,434	2,595	2,579	2,346	1,694	**1,679**
Annual bonus outcome (% of maximum)	AS	98%	100%	84%	–	–	–	–	–	–	
	RP	–	–	–	91%	83%	96%	72%	71%[3]	65%	**77.5%**
BSP/BSA conversion (% of maximum)	AS	100%	100%	98%	–	–	–	–	–	–	
	RP	–	–	–	100%	73%	100%	100%	100%	81%[4]	**37.3%**[5]
PSP/PSA award vesting (% of maximum)	AS	100%	100%	Nil	–	–	–	–	–	–	
	RP	–	–	–	Nil	Nil	54%	50%	48%	30%	**15%**[5]

1 See page 91 for detail of the single figure of total remuneration for 2018 and 2017
2 We are only required to show the single figure for each year for the Chief Executive. However, because Mr Sukawaty was the highest paid Director as Executive Chairman in 2012, 2013 and 2014, we have also shown his single figure in this table for information
3 Formulaic bonus outcome prior to application of voluntary reduction
4 BSA payout calculated on a new basis where 80% is paid for target performance
5 Following application of discretion to reduce the level of remuneration paid

Percentage change in CEO remuneration

The data for other employees relates to the average pay across staff based in the UK, which is deemed to be the most appropriate employee group. The data is based on all Inmarsat UK employees, including Executive Directors (apart from the CEO) and the senior management team.

Change in remuneration from 2017 to 2018

	CEO			Other UK employees[5]
	2018 £000	2017 £000	% change	% change
Salary[1]	**594**	583	1.9	3.0
Taxable benefits[2]	**2.0**	2.0	0.0	0.0
Short-term incentives[3]	**990**	970[4]	2.1	19.6

1 The CEO's salaries shown relate to the average salaries paid in respect of each of the financial years
2 Taxable benefits include healthcare benefits
3 Represents the annual bonus payment for the financial year just ended plus the value of BSA shares as set out in the single figure table on page 91. The BSA figure used is that after discretion has been applied
4 The 2017 figures are restated for actual share price as shown on page 91
5 The number of employees is based on those who were in employment for the whole year

Gender pay

A copy of the Company's report on Gender Pay is included on our website and we have provided some comments in the Resources and Relationships section of this Annual Report on page 51.

CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 Act requires all UK listed firms with more than 250 employees to publish, as part of their Directors' Remuneration Report, the ratio of their CEO's total remuneration to the median (50th), 25th, and 75th percentile remuneration of their UK employees.

The table below shows the relevant data for Inmarsat's UK employees for both 2017 and 2018, calculated using Option A as set out in the legislation.

Year	Methodology	25th percentile	Median	75th percentile
2017	A	£51,107	£76,386	£103,589
2018	A	£51,307	£79,828	£108,957

The table below shows the CEO single total figure of remuneration for FY2017 and FY2018 expressed as a ratio of the UK employee values.

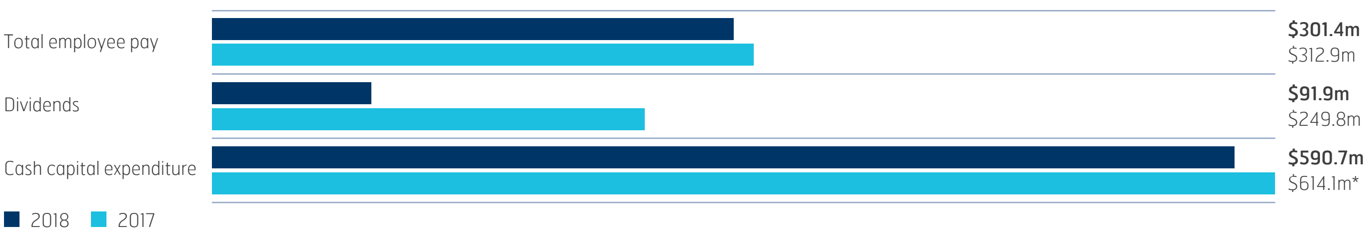
Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2017	Option A	33:1	22:1	16:1
2018	Option A	33:1	21:1	15:1

The CEO pay ratio is highly influenced by the mix of fixed and performance-related compensation, both for employees and for the CEO. For Inmarsat's UK employees, the value of performance-related remuneration typically represents less than 15% of total remuneration. In contrast, nearly 66% of the CEO Single Total Figure of Remuneration is the result of performance-related pay (both short term and long term), with a large percentage of total remuneration delivered in Inmarsat shares.

Relative importance of spend on pay

To assist in understanding the relative importance of spend on pay, we show below remuneration for all employees in comparison to distributions to shareholders (dividends) and other significant spend. Capital expenditure has been presented as a measure of significant spend as it shows the investment being made in the Company's future growth.

RELATIVE IMPORTANCE OF SPEND ON PAY $m



*Restated

Remuneration Report
continued

Directors' shareholding (audited)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2018 based on a share price of £3.79 as at 31 December 2018:

	Shares held as at 31 Dec 2017	Shares held as at 31 Dec 2018	Unvested and subject to deferral[1]	Unvested and subject to performance conditions[2]	Shareholding guideline (% salary)	Current[3] shareholding (% salary)	Requirement met?
Rupert Pearce	920,623	998,986	262,295	391,837	500%	637%	Yes
Tony Bates	59,682	118,060	202,619	303,667	500%	92%	No[4]
Andrew Sukawaty	1,172,352	1,199,184					
Simon Bax	23,000	23,000					
Sir Bryan Carsberg	16,327	16,327					
Warren Finegold	30,000	30,000					
General C. Robert Kehler (Rtd)	3,000	3,000					
Phillipa McCrostie	2,000	2,000					
Janice Obuchowski	7,000	14,200					
Dr Abe Peled[5]	24,000	33,650					
Robert Ruijter	–	–					
Dr Hamadoun Touré	–	–					

1 The unvested and subject to deferral column includes BSA awards confirmed in 2016, 2017 and 2018 and 15% of the 2016 PSA as performance has been tested although the award has not yet vested. The amounts which are shown are net of tax, thus representing 53% of the total unvested and subject to deferral
2 The unvested and subject to performance conditions column includes PSA awards made in 2017 and 2018
3 The calculation at 31 December 2018 is not comparable to last year, as unvested and subject to deferral shares are not included and the figure includes beneficially held shares only. This excludes shares added following vesting of BSA awards in March 2019, where Mr Pearce and Mr Bates retained 55,789 and 50,095 shares respectively
4 Mr Bates joined the Company in June 2014. The shareholding guideline of five times salary is to be achieved over a five- to seven-year period
5 The 2017 interest has been restated to show the correct beneficial interest

Directors interests for Mr Pearce and Mr Bates have increased following the vesting of the BSA awards on 8 March 2019.

Directors' interests in shares in Inmarsat long-term incentive plans and all-employee plans (audited)

This information is accurate as at 31 December 2018.

Inmarsat bonus share awards (audited)

The table below shows details of BSA awards where the number of shares has been confirmed but which are still to vest with one third vesting each year over a three-year period.

	Share awards held at 1 January 2018	Awarded during the year	Reinvested dividends during the year[1]	Vested during the year	Share awards held at 31 December 2018	Allocation price[2]	Vesting date
Rupert Pearce							
Share award confirmed in March 2015	29,062	–	–	29,062	–	£8.91	Fully vested: March 2018 was the last vesting date
Share award confirmed in March 2016	82,324	–	1,489	41,160	42,653	£9.30	March 2018 and March 2019
Share award confirmed in March 2017	119,140	–	2,874	39,712	82,302	£7.62	March 2018, March 2019 and March 2020
Share award confirmed in March 2018	–	113,779	4,117	–	117,896	£4.33	March 2019, March 2020 and March 2021
Tony Bates							
Share award confirmed in March 2015	19,330	–	–	19,330	–	£8.91	Fully vested: March 2018 was the last vesting date
Share award confirmed in March 2016	62,499	–	1,130	31,253	32,383	£9.30	March 2018 and March 2019
Share award confirmed in March 2017	92,338	–	2,227	30,779	63,786	£7.62	March 2018, March 2019 and March 2020
Share award confirmed in March 2018	–	88,183	3,190	–	91,373	£4.33	March 2019, March 2020 and March 2021
Andrew Sukawaty[3]							
Share award confirmed in March 2015	50,741	–	–	50,741	–	£8.91	Fully vested: March 2018 was the last vesting date

1 The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date
2 The price is that used to calculate the number of shares to be allocated subject to performance at the grant date and is different to the share price on the date of determination when the shares are confirmed
3 Mr Sukawaty, as Non-Executive Chairman, remains entitled to receive the shares when they vest as they were awarded and earned while he was an Executive Director

For the BSA awards that vested in March 2018 (last third of the 2015 award, second third of the 2016 award and first third of the 2017 award), the Directors all sold sufficient shares to cover tax and retained the remaining shares. The share price on 12 March 2018 when the sales took place was £4.1692 which is significantly lower than the share prices used at the date of allocation.

Mr Pearce and Mr Bates' 2018 BSA awards will be confirmed in March 2019 for 93,756 and 71,608 shares respectively based on performance during FY18 and reflect a reduced number of shares following discretion by the Committee. The first vesting will be in March 2020, then in 2021 and 2022.

Inmarsat performance share awards (audited)

The table below shows details of outstanding PSA awards.

	Share awards held at 1 January 2018	Awarded during the year	Reinvested dividends during the year[1]	Vested during the year	Lapsed during the year	Share awards held at 31 December 2018	Award price	Vesting date
Rupert Pearce								
Award made in 2015[2]	111,089	–	4,926	38,252	77,763	–	£9.34	March 2018
Award made in 2016[3]	112,564	–	–	–	–	112,564	£9.30	March 2019
Award made in 2017	140.182	–	–	–	–	140,182	£7.62	March 2020
Award made in 2018	–	251,655	–	–	–	251,655	£4.33	March 2021
Tony Bates								
Award made in 2015[2]	84,337	–	3,739	29,040	59,063	–	£9.34	March 2018
Award made in 2016[3]	87,241	–	–	–	–	87,241	£9.30	March 2019
Award made in 2017	108,647	–	–	–	–	108,647	£7.62	March 2020
Award made in 2018	–	195,020	–	–	–	195,020	£4.33	March 2021

1 The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date
2 30% of the 2015 PSP vested in 2018
3 15% of the 2016 PSA will vest in March 2019 which is after discretion has been exercised by the Committee to reduce the overall number

Inmarsat sharesave scheme (2018 award) (audited)

The information below relates to the UK Sharesave plan which the Executive Directors can contribute monthly savings to over a three-year period.

Executive Director	Options held at 1 January 2018	Granted during the year	Lapsed during the year	Exercised during the year	Options held at 31 December 2018	Option price per share	Date from which exercisable	Expiry date
Rupert Pearce	1,584	–	1,584	–	–	£5.68	August 2019	January 2020
	1,489	–	1,489	–	–	£6.02	August 2020	January 2021
	–	5,982	–	–	–	£3.01	July 2021	January 2022
Tony Bates	1,584	–	1,584	–	–	£5.68	August 2019	January 2020
	1,489	–	1,489	–	–	£6.02	August 2020	January 2021
	–	5,982	–	–	–	£3.01	July 2021	January 2022

Approval

This report was approved by the Board of Directors on 18 March 2019 and signed on its behalf by

SIMON BAX
CHAIRMAN, REMUNERATION COMMITTEE

18 March 2019

Report of the directors

For the year ended 31 December 2018

ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

This Report has been prepared in accordance with the requirements outlined within the Companies Act 2006 ('2006 Act') and Listing Rule 9.8.4R and forms part of the management report as required under Disclosure and Transparency Rule 4

Certain information that fulfils the requirements of the Report of the Directors is incorporated into the Report by reference and is referred to below.

The purpose of this Report is to provide information to the Company's shareholders. The Report contains certain forward-looking statements based on knowledge and information available at the date of preparation of the Report. These statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. Nothing in this Report should be construed as a profit forecast.

Responsibility statement

The Responsibility Statement made by the Board regarding the preparation of the financial statements is set out on page 106.

Business review, strategic report and future developments

A description of the Company's business model, strategy, and factors likely to affect the Group's future developments are incorporated into this Report by reference. They are set out in the Strategic Report on pages 1 to 59.

Governance report

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the Governance Report to be outlined in the Report of the Directors. This information is laid out in the Governance Report on pages 60 to 106.

Post-balance sheet events

There were no such events required to be disclosed.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 116.

A final dividend of 12 cents (US$) will be paid on 30 May 2019 to shareholders on the share register at the close of business on 23 April 2019. Dividend payments are made in Pounds Sterling or in shares using an exchange rate derived from the WM/Reuters GBP/USD 9am fix (London time) four business days prior to the announcement of the scrip reference price. Explanatory documentation in respect of the operation of the scrip dividend is available on our website.

Interest capitalisation

The Group capitalised $43.7m during the period under review. The $43.7m of interest capitalised in the period has been treated as fully tax deductible in the UK.

Branches

The Group has activities operated through many jurisdictions.

Capital structure and rights attaching to shares

The Company's ordinary shares of Euro 0.0005 each are listed on the London Stock Exchange (LSE: ISAT.L). Details of the issued share capital of the Company, together with movements in the issued share capital during the year, can be found in note 25 to the consolidated financial statements.

The Company has one class of ordinary share which carries no rights to fixed income. On a poll, each member is entitled to one vote for each share of Euro 0.0005 held. All 76,612 ordinary shares held by the Inmarsat Employee Share Ownership Trust carry voting rights.

There are no specific restrictions on the size of holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Going concern

Despite the continuing rerating of the satellite sector and increased competitive environment, coupled with a continuing uncertain economic outlook particularly regarding Brexit and its potential impact on the global economy, the Directors believe that the Group has a resilient business model and is compliant with all its financial covenants. In making their assessment of going concern, the Directors considered the Board-approved budget, the rolling forecast, the cash flow forecast and the most recent five-year long-range business plan. In addition, the Directors considered the maturity profile of existing debt facilities, other liabilities as well as actual and forecast covenant calculations. Furthermore, the forecasts and covenant calculations were stress tested by applying a set of downside scenarios. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat continues to adopt the going concern basis in preparing the consolidated financial statements.

Viability statement

The viability statement containing a broader assessment by the Board of the Company's ongoing viability is set out on page 59.

On-market purchase authority

The Directors' authorities are determined by UK legislation and the Articles of Association. At the 2018 AGM, the Directors were authorised by shareholders to allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. Shareholders are being requested to renew these authorities at the 2019 AGM.

Indemnities and insurance

Details of the Directors' and Officers' liability insurance and the indemnities provided to the Directors, Company Secretary and certain employees where they serve as directors of subsidiaries at the Group's request are provided on page 70 in the Governance Report.

Employment policies and employee involvement

Details of the employment policies and employee involvement are provided in the Our People section and also in the Governance Report.

Long-term incentive schemes

Details of the long-term incentive schemes can be found on page 101 of the Directors' Remuneration Report.

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. During 2018, we continued to work closely with our subsidiary companies to harmonise health and safety best practice. Rupert Pearce, our CEO, is the Director designated for health and safety matters at Board level. One of the objectives for the CEO includes how health and safety is managed across the Company.

Environmental performance and strategy

We operate in over 39 locations with a combined workforce of approximately 1,800 staff. Due to our diversity of activities the Company recognises it has impacts affecting the local and global environment. However, it should be noted that the satellite industry and our own business is low on the scale of carbon generators. The satellite launch industry is reviewing how it becomes more accountable for carbon generation through innovative new satellite launch techniques and we will work with these launch providers to see how we can benefit from improved techniques for our future launches. We have provided details of our objectives for how we manage our environmental activities on pages 47 and 48. The following information summarises our actual environmental performance over the year.

Our environmental impacts include the use of natural resources, the consumption of energy and water, the production of a variety of waste, as well as staff and visitors who travel extensively.

All energy and waste management activities are controlled by the Business Environment team which is based in London and are supported by inputs from colleagues across the Group. The CEO has an objective to ensure there is an effective process in place to monitor environmental, social and governance matters.

Greenhouse gas emissions

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas ('GHG') emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The table shows our greenhouse gas emissions for the years ended 31 December 2016 to 2018. We are in the process of having our emissions independently verified to the ISO 14064-3 standard to ensure continuous improvement of our GHG reporting.

GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions (tCO_2e)	2018	2017	2016
Combustion of fuel and operation of facilities (Scope 1)	**849**	1,048	1,164
Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based)	**11,053**	11,014	11,743
Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based)	**7,756**	8,808	10,559
Other indirect emissions (Scope 3)	**15,117**	21,044	13,568

Emissions from the consumption of electricity outside the UK and Scope 2 emissions calculated using the market-based approach using supplier specific emission factors are calculated and reported in tCO_2e

METHODOLOGY

Greenhouse gas emissions (tCO_2e)	Location-based approach			Market-based approach		
	2018	2017	2016	2018	2017	2016
Total Scope 1 and 2	**11,902**	11,918	12,907	**8,605**	9,712	11,724
tCO_2e per full-time equivalent ('FTE') employee	**6.5**	6.9	6.8	**4.7**	5.7	6.2

The emissions intensity calculation is based on a figure of 1,842 employees in 2018, 1,737 employees in 2017 and 1,900 employees in 2016. We have restated our total Scope 2 figures for 2017 due to improved data quality and accuracy within Scope 3 emissions

Report of the directors
continued

Methodology

We quantify and report our organisational GHG emissions according to the Greenhouse Gas Protocol. Consumption data has been collated by our sustainability consultant, Carbon Credentials, and has been converted into CO_2 equivalent using the UK Government 2018 Conversion Factors for Company Reporting and the International Energy Agency international electricity conversion factors in order to calculate emissions from corresponding activity data.

This report has been prepared in accordance with the GHG Protocol's Scope 2 Guidance; we have therefore reported both a location-based and market-based Scope 2 emissions figure. The Scope 2 market-based figure reflects emissions from electricity purchasing decisions that Inmarsat has made. When quantifying emissions using the market-based approach we have used a supplier specific emissions factor where possible. If these factors were unavailable, a residual mix emissions factor was then used, and as a final alternative the location-based grid emissions factor was used.

The table on this page shows our total emissions and our emissions as a metric for the year ended 31 December 2018 using the two different Scope 2 accounting methodologies.

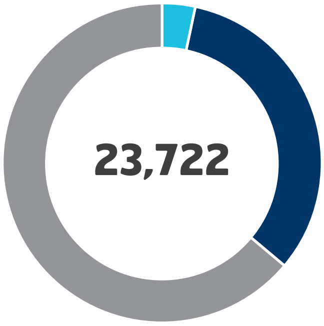
Performance

We set an interim target to reduce absolute Scope 1 and 2 emissions by 20% by year end 2018 compared to a 2016 baseline. We achieved a 27% decrease in our emissions Scope 1 and 2 emissions by since 2016 (using the market-based Scope 2 accountancy method) and exceeded our target. We continue to expand the number of low emissions sources of electricity across the Group and have already switched to a renewable electricity supply at our London Head Office, our largest electricity-consuming site. Overall, 37% of the electricity we use is from renewable sources.

Our emissions intensity has decreased by 18% from 5.7 (2017) to 4.7 (2018) tCO_2e/FTE (using the market-based Scope 2 accounting approach).

We have also chosen to voluntarily disclose a selection of our Scope 3 emissions, including water, waste, business travel and WTT electricity emissions and emissions associated with the transmission and distribution of electricity. Our Scope 3 emissions have decreased by 28% between 2017 and 2018. This is largely due to a decrease in business travel.

TOTAL EMISSIONS 2018 tCO_2e



Scope 1	**849**
Scope 2 (market-based)	**7,756**
Scope 3	**15,117**

EMISSIONS INTENSITY – SCOPE 1 AND 2 (MARKET-BASED) tCO_2e/FTE

4.7

In 2019 we will be working with Carbon Credentials to assess our full value chain (Scope 3) emissions with the ambition of setting a science-based emission reduction target in line with the UK's commitment under the UN Paris Agreement, thereby contributing to the global effort to prevent the worst consequences of climate change.

Reporting boundaries and limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 5% for GHG reporting purposes. As a result, emissions from locations with fewer than 15 staff on-site have been reasonably estimated as immaterial and are thus excluded from our GHG disclosure. Emissions for all significant sites have been included in our calculations, which includes our top five highest consuming locations: London, Burum (The Netherlands), Auckland (New Zealand), Paumalu (USA) and Perth (Australia). The GHG sources that constitute our operational boundary for the 2018 reporting period are:

- **Scope 1:** Natural gas combustion within boilers, gas oil combustion within generators, road fuel combustion within owned and leased vehicles, and fugitive refrigerants from air-conditioning equipment
- **Scope 2:** Purchased electricity consumption for our own use
- **Scope 3:** Business travel, water, waste, and well-to-tank and transmission & distribution electricity emissions

Assumptions and estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from previous years as a proxy.

Principal risks and uncertainties

Details of principal risks and uncertainties are provided on pages 52 to 58.

Financial risk management

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given in notes 3 and 31 to the consolidated financial statements.

Research and development

The Group continues to invest in new services and technology necessary to support its activities through research and development programmes.

Political donations

During the year, no political donations were made. It remains the policy of the Company not to make political donations or incur political expenditure. The Company will be reducing the aggregate limits it will seek approval for from shareholders at its 2019 AGM. We consider that it is in the best interests of shareholders for the Company to participate in public debate and opinion-forming on matters which affect the Company's business. The definition of donation is widely defined within the context of the Companies Act 2006 and can extend to bodies concerned with policy review, law reform and the representation of the business community, including special interest groups which the company (and its subsidiaries) might wish to support and the Company believes it is appropriate to renew the authority, on lower limits, at the 2019 AGM to avoid any inadvertent infringement of the Act.

Interests in voting rights

As at 18 March 2019, the Company had been notified, in accordance with chapter 5 of the Financial Services Authority's Disclosure and Transparency Rules, of the following significant interests:

Shareholder	Percentage of voting rights over ordinary shares of €0.0005 each
Lansdowne Partners Limited	11.43%
Capital Group Companies, Inc.	9.83%
Aberdeen Asset Managers	6.30%
Artemis Investment Management	5.21%
Nomura International plc	5.03%
Jupiter Asset Management Limited	4.91%
Openheimer Funds, Inc	4.83%
Standard Life Investments Ltd	4.32%
Pictet Asset Management	3.13%
Allianz SE	2.98%

Voting rights are based on the information submitted via TR1 forms from shareholders to the Company, adjusted for the issued share capital of 463,480,897 as at 18 March 2019.

Rules governing directors' appointments

Shareholders can appoint or remove Directors by an ordinary resolution in a general meeting but specific conditions on vacation of office apply where a Director becomes prohibited by law or regulation from holding office; or where a Director becomes bankrupt, mentally incapacitated or persistently absent from Directors' meetings. Further information on Directors' appointments are provided on pages 72 and 73 of the Governance Report.

Directors' power

General powers of the Directors are provided by the Company's Articles of Association and the Companies Act 2006 (the 'Act'). The powers are subject to limitations imposed by statute and directions given by special resolution of the shareholders applicable at a relevant time. Details of Directors' powers are provided on pages 67 to 69 of the Governance Report.

Directors and their interests

A full list of the individuals who were Directors of the Company during the financial year ended 31 December 2018 is set out below:

Tony Bates, Simon Bax, Sir Bryan Carsberg, Warren Finegold, General C. Robert Kehler (Rtd), Phillipa McCrostie, Rupert Pearce, Dr Abe Peled, Janice Obuchowski, Robert Ruijter, Andrew Sukawaty and Dr Hamadoun Touré.

We were delighted to announce the appointment of Tracy Clarke as an additional Non-Executive Director effective 1 February 2019.

Details of the interests of each Director and their connected persons in the Company's ordinary shares and share awards held are set out in full in the Directors' Remuneration Report on pages 100 to 101.

Details of the Directors' conflicts of interest policy are provided on page 70.

Articles of Association

The Articles of Association can only be amended by special resolution of the shareholders. This year we are seeking to amend Article 83 which relates to the overall level of fee paid to the Non-Executive Directors, details of this special resolution are contained in the AGM Notice of Meeting.

Auditor

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as Auditor of the Company and to authorise the Audit Committee of the Board of Directors to determine its remuneration will be proposed at the 2019 AGM.

2019 Annual General Meeting

The Annual General Meeting will be held on 1 May 2019 at 10.00am at 99 City Road, London EC1Y 1AX. The Notice of Meeting, which sets out the resolutions to be proposed at the forthcoming AGM, is contained in a separate circular and is enclosed with this Annual Report.

By order of the Board

ALISON HORROCKS FCIS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

18 March 2019

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

RUPERT PEARCE
DIRECTOR

18 March 2019

FINANCIAL STATEMENTS

THIS REPORT IS SEPARATED INTO THE FOLLOWING SECTIONS TO AID REVIEW:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

IN OUR OPINION:

- the financial statements of Inmarsat plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: › accounting for capitalised development expenditure; › accounting for complex revenue contracts; and › classification and disclosure of the convertible bond. Within this report, any new key audit matters are identified with ▲ and any key audit matters which are the same as the prior year identified with ►.
Materiality	The materiality that we used for the Group financial statements was $16.0m which was determined on the basis of a number of relevant benchmarks including EBITDA.
Scoping	We have performed full-scope audit procedures for components which represent 99% of net assets, revenue and profit before tax.
Significant changes in our approach	In the current year we have reported on a new key audit matter in respect of classification and disclosure of the convertible bond following significant fluctuations in market value of the bond in the year.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern We have reviewed the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: › the disclosures on pages 52 to 58 that describe the principal risks and explain how they are being managed or mitigated › the Directors' confirmation on page 53 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity or › the directors' explanation on page 59 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the new key audit matter in respect of classification and disclosure of the convertible bond, we have redefined the key audit matter in respect of revenue recognition, pinpointing the risk in the current year to accounting for complex contracts. In the prior year the key audit matter was in respect of accuracy, completeness and occurrence of manual adjustments to airtime revenue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

REVENUE RECOGNITION – ACCOUNTING FOR COMPLEX REVENUE CONTRACTS ▲

Key audit matter description	Inmarsat has entered into a number of one-off contracts in the year and has generated revenue of $101.3m in respect of in-flight connectivity contracts. These contracts are complex in nature given there are no standardised terms and conditions and in some cases these contracts are classified. In addition, a fraud risk has been identified in respect of these complex contracts due to the level of judgement required. On entering into new contracts a detailed assessment of the accounting for these under IFRS 15 *Revenue from contracts with customers* is prepared by management. Each month manual postings are made to revenue accounts to adjust for items such as contract assets, contract liabilities or liquidated damages to ensure revenue recognition meets the requirements of IFRS 15. The accounting policy for the recognition of revenue is set out in note 2 to the financial statements and includes the policies on the deferral of revenue and multiple-element contracts. Refer to page 77 where this is included as a significant matter in the Audit Committee report. In the prior year we had recognised a key audit matter in respect of the accuracy, completeness and occurrence of manual adjustments to airtime revenue. In view of the low incidence of issues identified in prior periods, this is no longer considered a key audit matter.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls relevant to complex contracts and controls designed to ensure accounting judgements taken are reasonable. We have met with management, both from within finance and in the market-facing business to discuss results in each business unit and as a whole to gain an understanding of significant trends and transactions and to inform our substantive testing. We have obtained and reviewed signed contracts and contract amendments to identify key terms and areas of accounting complexity under IFRS 15. Where these are classified contracts we have involved our security cleared specialists to review these contracts on our behalf with oversight from the Group audit team. We have obtained and challenged management's accounting analysis and judgements taken, reviewing these for bias that could result in material misstatement due to fraud or error. We have done this through consulting our Firm's technical accounting specialists on complex judgements and evaluating the substance of the contracts through our knowledge of the business.
Key observations	The results of our testing were satisfactory. We had no significant findings to report to the Audit Committee in respect of the accounting for complex contracts.

ACCOUNTING FOR CAPITALISED DEVELOPMENT EXPENDITURE ►

Key audit matter description	The Group capitalised significant internal labour costs, external costs and qualifying borrowing costs in respect of major capital projects, most notably relating to satellite programmes and associated infrastructure such as the Global Xpress programme, European Aviation Network and the Inmarsat-6 constellation of satellites. There is a key audit matter, whether due to fraud or error, in respect of valuation and allocation of assets, that costs which do not meet the criteria for capitalisation in accordance with IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IAS 23 *Borrowing Costs* are inappropriately recorded on the balance sheet rather than expensed or that costs continue to be held on the balance sheet despite no longer meeting the relevant capitalisation criteria. The Group's policy on the capitalisation of assets is included in note 2 to the financial statements. As shown in note 13 to the financial statements, property, plant and equipment of $474.6m (2017: $615.0m) was capitalised in the year, of which $449.6m (2017: $351.6m) relates to assets in the course of construction. As shown in note 14 to the financial statements, intangible assets of $98.0m (2017: $88.8m) were capitalised in the year. As disclosed in note 9 to the financial statements, capitalised borrowing costs totalled $43.7m (2017: $40.2m) in the year. Refer to page 78 where this is included as a significant matter in the Audit Committee report.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls in respect of the processes and procedures which govern the capitalisation of development costs, and tested operating effectiveness of controls in respect of internal labour costs. We have met the project leaders for the most financially significant capital projects, which account for 92% of current year capital expenditure, to corroborate the project status, feasibility of completion, impact of Brexit and other geopolitical risks, and performance against budget, including investigation of any deviations from budget. This process enabled us to focus on projects we considered to have a higher risk of misstatement. In addition, we have carried out sample-based testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the costs capitalised, understanding the nature of these costs and considering whether they meet the capitalisation requirements of IAS 16 and IAS 38. We reviewed the ageing profile of assets in the course of construction, to determine whether the ongoing technical feasibility and intended completion of the project could be demonstrated. For a sample of assets which entered service in the period we inspected supporting evidence to determine whether depreciation was commenced at a time in accordance with IAS 16. In relation to borrowing costs we obtained the supporting calculations and verified the inputs to the calculation, including testing a sample of cash payments. Additionally, we tested the mechanical accuracy of the model and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised and accounting is therefore in line with the requirements of IAS 23.
Key observations	Our audit testing was completed satisfactorily, and we concur with the judgements management has taken in determining that capital assets meet the capitalisation criteria of IAS 16, IAS 23 and IAS 38. We did not identify any audit misstatements that warranted reporting to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

CLASSIFICATION AND DISCLSOURE OF THE CONVERTIBLE BOND ▲

Key audit matter description	On 9 September 2016, the Group issued $650m of 3.875% convertible bonds due 9 September 2023. This bond is a net settled instrument which is currently convertible by bondholders into cash and possibly equity depending on the conversion price, which is linked to the Group's equity share price. Following a takeover offer during the year, which led to a significant non cash net financing cost at the half year, we identified a key audit matter in respect of whether the convertible bond is correctly classified as a non-current liability and whether the disclosures relating to the convertible bond are appropriate. Under IAS 1 *Presentation of Financial Statements* a liability is classified as current if the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Under the terms of the convertible bond, the Company is unable to prevent a bondholder from converting. However as the Group's equity 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. As such this conversion option is not considered substantive. As shown in note 20 the convertible bond has a debt component with a carrying value of $569.4m (2017: $555.0m) and an embedded derivative component valued at $148.8m (2017: $125.7m). The Group's policy on the accounting for convertible bonds is included in note 2 to the financial statements.
How the scope of our audit responded to the key audit matter	We have evaluated the design and implementation of controls relating to accounting for the convertible bond. We have performed the following procedures: › involved our technical accounting specialists to support our review of the convertible bond agreement › challenged whether the embedded options were substantive through the performance of Black-Scholes analysis of future share price expectations › evaluated whether the change of control feature should trigger presentation of the whole instrument as a current liability and › evaluated the appropriateness of the disclosure of the convertible bond in the financial statements
Key observations	We concur with the treatment of the convertible bond as a non-current liability. We did not identify any audit misstatements that warranted reporting to the Audit Committee. We note that the Group has put in place an additional control to monitor the performance of the convertible bond over time and to reflect any changes needed to the accounting in the financial statements.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$16.0m (2017: $18.0m)	$13.9m (2017: $15.7m)
Basis for determining materiality	We determined materiality using a range of forecast benchmarks and this represented 2.5% of EBITDA (2017: 2.5%), 1.3% of revenue (2017: 1.3%) and 7.6% of profit before tax (2017: 7.6%) adjusted to remove the volatility described above. EBITDA is reconciled to statutory profit before tax on page 39.	Parent Company materiality equates to 3% of net assets, which has been capped at the highest level of component materiality (2017: same basis).
Rationale for the benchmark applied	We consider the use of a number of benchmarks in determining materiality to be appropriate since a number of measures are relevant to the users of the financial statements, including EBITDA.	The Parent Company exists as a holding company therefore we have used net assets as the basis for materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $800k (2017: $900k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work performed in the following locations:

- London, United Kingdom
- St. John's, Canada and
- Reston, United States

With the exception of one specific part of the Inmarsat Government business, where we used a component audit team, we performed the Group audit with one integrated audit team led from London. The supervision of the audit team included the London team visiting the members of the audit team located in St. John's and Reston.

We determined there to be three components in the Group, as follows:

- The core Inmarsat business unit headquartered in London with operations also in St. John's
- The Inmarsat Government retail business in Reston and
- Non-core entities, which include Inmarsat Australia Pty Ltd, based in Sydney, Australia

The Inmarsat Government retail business and non-core entities are considered to be separate components as they had a separate financial control environment during the year. The core Inmarsat component was subject to a full scope audit, the Inmarsat Government component to an audit of specified account balances and limited procedures were performed on the non-core component due to its relative financial significance.

The components subject to a full scope audit represent the principal business units and account for 99.8% (2017: 99.8%) of the Group's net assets, 98.8% (2017: 99.0%) of the Group's revenue and 99.9% (2017: 98.8%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the three locations was executed at levels of materiality which were lower than the Group materiality and ranged from $4.8m to $13.9m (2017: $5.4m to $15.7m).

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no key audit matters of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Senior Statutory Auditor met with Inmarsat Government component management in 2018 and last performed a site visit in 2017. For this component we involved the component audit partner and manager in our team briefing, discussed their risk assessment and reviewed documentation of the findings from their work.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- discussing among the engagement team, significant component teams and involving relevant internal specialists, including tax, valuations, and IT, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: accounting for capitalised development expenditure and accounting for complex contracts.
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation in the jurisdictions it operates in. In addition, compliance with terms of the Group's operating licence were fundamental to the Group's ability to continue as a going concern.

AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified accounting for complex contracts and accounting for capitalised development expenditure as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: › we have not received all the information and explanations we require for our audit or › adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us or › the Parent Company financial statements are not in agreement with the accounting records and returns	We have nothing to report in respect of these matters.
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

OTHER MATTERS

AUDITOR TENURE

On recommendation of the audit committee following a successful tender in 2016, we were appointed by the Company at the Annual General Meeting on 5 May 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 31 December 2006 to 31 December 2018.

CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

PAUL FRANEK FCA
SENIOR STATUTORY AUDITOR

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 March 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

($ in millions)	Note	2018	2017 (restated)[4]
Revenues		**1,465.2**	1,391.7
Employee benefit costs[1]	7	**(301.4)**	(312.9)
Network and satellite operations costs		**(183.3)**	(192.8)
Impairment of financial assets	18	**(18.1)**	(3.0)
Other operating costs		**(230.0)**	(192.8)
Own work capitalised		**37.7**	49.1
Total net operating costs		**(695.1)**	(652.4)
EBITDA		**770.1**	739.3
Depreciation and amortisation	6	**(468.3)**	(411.8)
Impairment loss on fixed and intangible assets	6	**(14.5)**	–
Loss on disposal	6	**(2.5)**	(7.3)
Share of profit of associates	16	**3.9**	4.0
Operating profit		**288.7**	324.2
Financing income	9	**8.2**	7.8
Financing cost	9	**(105.8)**	(105.9)
Change in fair value of derivative[2]	9	**(23.2)**	7.7
Net financing costs	9	**(120.8)**	(90.4)
Profit before tax		**167.9**	233.8
Taxation charge	10	**(42.9)**	(48.8)
Profit for the year		**125.0**	185.0
Attributable to:			
Equity holders		**124.2**	184.4
Non-controlling interest[3]		**0.8**	0.6
Earnings per share for profit attributable to the equity holders of the Company (expressed in $ per share)			
› Basic	28	**0.27**	0.41
› Diluted	28	**0.27**	0.40
Adjusted earnings per share for profit attributable to the equity holders of the Company (expressed in $ per share)			
› Basic	28	**0.32**	0.42
› Diluted	28	**0.32**	0.42

1 Employee benefit costs for 2017 includes the one-off restructuring charge of $19.9m

2 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

3 Non-controlling interest relates to the Group's 51% shareholding in Inmarsat Solutions ehf

4 2017 figures have been restated to reflect the adoption of IFRS 15 and the accounting policy change for unallocated launch slots. The Group has also adopted IFRS 16 and IFRS 9 as of 1 January 2018. Please refer to note 2 of this document for further details

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

($ in millions)	Note	2018	2017 (restated)[1]
Profit for the year		**125.0**	185.0
Other comprehensive income			
Items that may be reclassified subsequently to the Income Statement:			
Foreign exchange translation differences		**(0.1)**	–
Gains/(losses) on cash flow hedges	27	**(5.2)**	14.1
Items that will not be reclassified subsequently to the Income Statement:			
Re-measurement of the defined benefit and post-employment asset/liability	29	**19.7**	12.7
Tax charged directly to equity	10	**(3.1)**	(2.9)
Other comprehensive income net of tax		**11.3**	23.9
Total comprehensive income net of tax		**136.3**	208.9
Attributable to:			
Equity holders		**135.5**	208.3
Non-controlling interest		**0.8**	0.6

1 Comparatives have been restated as a result of initial application of IFRS 15 and the change in accounting policy for unallocated launch slots discussed in note 2

CONSOLIDATED BALANCE SHEET
at 31 December 2018

($ in millions)	Note	2018	2017 (restated)[1]	2016 (restated)[1]
Assets				
Non-current assets				
Property, plant and equipment	13	**3,352.7**	3,255.5	2,979.9
Intangible assets	14	**800.4**	808.1	802.8
Investments	16	**18.8**	16.2	13.2
Right-of-use assets	15	**62.4**	–	–
Other receivables	18	**35.2**	17.5	5.3
Deferred tax assets	23	**52.5**	35.4	39.3
Derivative financial instruments	32	**–**	0.3	0.1
		4,322.0	4,133.0	3,840.6
Current assets				
Cash and cash equivalents	17	**143.2**	144.9	262.0
Short-term deposits		**145.7**	342.0	395.0
Trade and other receivables	18	**358.7**	331.6	317.9
Inventories	19	**50.7**	33.9	34.3
Current tax assets	23	**4.6**	13.8	8.5
Derivative financial instruments	32	**0.3**	1.2	1.7
Restricted cash	24	**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	20	**123.2**	125.6	103.8
Trade and other payables	21	**545.4**	634.4	537.7
Provisions	22	**14.3**	16.2	1.9
Current tax liabilities	23	**168.5**	130.2	129.0
Derivative financial instruments	32	**2.4**	7.9	5.9
Lease obligations	15	**10.4**	–	–
		864.2	914.3	778.3
Non-current liabilities				
Borrowings	20	**2,342.3**	2,439.9	2,448.0
Other payables	21	**13.9**	25.0	41.5
Provisions	22	**11.1**	9.7	2.8
Deferred tax liabilities	23	**249.4**	238.4	208.3
Derivative financial instruments	32	**150.4**	127.8	153.5
Lease obligations	15	**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	25	**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

The consolidated financial statements of the Group on pages 116 to 120 were approved by the Board of Directors on 18 March 2019 and were signed on its behalf by

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

TONY BATES
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

($ in millions)	Notes	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Other[1]	Retained earnings (restated)[5]	Non-controlling interest[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
Dividend declared	12	–	–	–	–	–	(249.8)	(0.6)	(250.4)
Scrip dividend cash reinvestment[4]	12	–	–	–	–	–	45.0	–	45.0
Scrip dividend share issue[4]	12	–	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
Other comprehensive loss – before tax		–	–	–	14.1	–	12.7	–	26.8
Other comprehensive loss – 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**
Dividend declared	12	**–**	**–**	**–**	**–**	**–**	**(91.9)**	**(0.6)**	**(92.5)**
Scrip dividend cash reinvestment[4]	12	**–**	**–**	**–**	**–**	**–**	**22.4**	**–**	**22.4**
Scrip dividend share issue[4]	12	**–**	**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**
Other comprehensive gain – before tax		**–**	**–**	**–**	**(5.2)**	**(0.1)**	**19.7**	**–**	**14.4**
Other comprehensive gain – 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, net of tax, recognised in the year
4 Represents the cash value of the scrip dividend reinvested into the Company
5 Comparatives have been restated as a result of initial application of IFRS 15 and the change in accounting policy for unallocated launch slots discussed in note 2

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

($ in millions)	Note	2018	2017 (restated)[2]
Cash flow from operating activities			
Cash generated from operations	24	713.4	789.8
Interest received		6.0	5.5
Tax received/(paid)		2.3	(19.8)
Net cash inflow from operating activities		721.7	775.5
Cash flow from investing activities			
Purchase of property, plant and equipment		(460.3)	(454.3)
Additions to intangible assets		(93.0)	(110.7)
Own work capitalised		(37.4)	(49.1)
Proceeds from short-term deposits[1]		459.5	455.1
Repayments of short-term deposits[1]		(263.2)	(402.0)
Investment in financial asset	16	–	(1.1)
Net cash used in investing activities		(394.4)	(562.1)
Cash flow from financing activities			
Dividends paid		(70.1)	(202.9)
Repayment of borrowings		(122.2)	(80.8)
Drawdown of borrowings		–	78.4
Interest paid		(120.5)	(120.2)
Arrangement costs of financing		(4.9)	(1.2)
Cash payments for the principal portion of the lease obligations	15	(12.3)	–
Other financing activities		(1.6)	(1.9)
Net cash (used in)/generated from financing activities		(331.6)	(328.6)
Net (decrease)/increase in cash and cash equivalents		(4.3)	(115.2)
Cash and cash equivalents			
At the beginning of the year		144.6	261.5
Net (decrease)/increase in cash and cash equivalents		(4.3)	(115.2)
Foreign exchange gains/(losses) on cash and cash equivalents		2.9	(1.7)
At the end of the year (net of bank overdrafts)		143.2	144.6
Comprising:			
Cash at bank and in hand	17	143.2	109.9
Short-term deposits with original maturity of less than three months	17	–	35.0
Cash and cash equivalents		143.2	144.9
Bank overdrafts	20	–	(0.3)
Net cash and cash equivalents at the end of the year		143.2	144.6

1 Proceeds from and repayments of short-term deposits are net of interest and have an original maturity of more than 3 months

2 Comparatives have been restated as a result of initial application of IFRS 15 and the change in accounting policy for unallocated launch slots discussed in note 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Inmarsat plc (the 'Company' or, together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is 99 City Road, London EC1Y 1AX, United Kingdom.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

BASIS OF PREPARATION

These financial statements have been 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. The financial statements have been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value, as described later in these accounting policies.

GOING CONCERN

The Group has a robust and resilient business model, positive free cash flow generation and is compliant with all banking covenants. Because of this, the Directors believe that the Company and the Group are well-placed to manage its 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.

Further discussion of the Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report which encompasses the Chairman's review, the Chief Executive's review, the financial review and the viability statement on pages 1 to 59.

BASIS OF ACCOUNTING

The consolidated financial statements are presented in US Dollars, which is the functional currency of the Company and most of the Group's subsidiaries. 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 year. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from these estimates. Further discussion on these estimates and assumptions are disclosed in note 4.

ACCOUNTING POLICY CHANGES

New and amended accounting standards adopted by the Group

IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 Revenue from Contract with Customers ('revenue standard') for the year ended 31 December 2018 using the fully retrospective method.

Two revenue streams were identified as areas requiring Group policy change to align with IFRS 15. These are installation revenues and revenues from the Ligado contract.

Installation revenues have previously been recognised in full on completion of work. Under IFRS 15, installation on equipment owned by the Group is not considered a distinct performance obligation. The price charged to the customer is added to the transaction price and is spread over the related contract period. Similarly installation costs, which were previously expensed on installation, are now capitalised and depreciated over the contract period.

Revenues relating to Ligado was previously recognised when amounts fell due. This differs from the treatment under IFRS 15 which requires the full transaction price to be apportioned over the contract term. This has been calculated using an output measure. A finance component in relation to deferred payments has been recognised.

The table below shows the combined impact on Group comprehensive income:

	Income statement for year ended 31 December 2017		
($ in millions)	Reported	IFRS 15 adjustment	Restated
Revenues	1,400.2	**(8.5)**	1,391.7
Other operating costs	(209.1)	**16.3**	(192.8)
EBITDA	**731.5**	**7.8**	**739.3**
Depreciation and amortisation	(406.7)	**(5.1)**	(411.8)
Operating profit	**321.5**	**2.7**	**324.2**
Financing income	6.5	**1.3**	7.8
Profit before tax	**229.8**	**4.0**	**233.8**
Tax	(47.5)	**(1.3)**	(48.8)
Profit after tax	**182.3**	**2.7**	**185.0**

On the balance sheet, property, plant and equipment increased due to the capitalisation of installation costs. Additionally an increase in trade and other payables in the form of deferred income was recognised, reflecting the corresponding delay in the recognition of installation revenue.

The Ligado impact is largely limited to the balance sheet with payments which were contractually deferred and were previously offset against deferred revenue now being recognised as receivables.

IFRS 15 has resulted in an increase to property, plant and equipment, trade and other receivables and trade and other payables of $8.5m, $11.0m and $29.4m respectively on the 2017 opening balance sheet. This has led to a decrease in the opening retained earnings of $9.9m.

	Balance sheet as at 31 December 2017		
($ in millions)	Reported	IFRS 15 adjustment	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

In the cash flow statement, the impact of the accounting policy change is limited to the reclassification of installation costs from cash generated from operations into investing activities. The overall movement in cash remains unchanged.

($ in millions)	Cashflow as at 31 December 2017 Reported	IFRS 15 adjustment	Restated
Cash generated from operations	774.4	**15.4**	789.8
Net cash inflow from operating activities	**760.1**	**15.4**	**775.5**
Purchase of property, plant and equipment	(438.9)	**(15.4)**	(454.3)
Net cash used in investing activities	**(546.7)**	**(15.4)**	**(562.1)**
Net (decrease)/increase in cash and cash equivalents	**(115.2)**	**–**	**(115.2)**

In terms of the Group's financial performance for 2018, EBITDA is $7.5m higher under IFRS 15 compared to the previous standard, as revenues removed of $2.5m did not exceed costs removed of $10.0m.

Profit after tax was $4.5m higher driven by the increased EBITDA and finance income of $2.4m and offset by increased depreciation of $5.4m. Restated basic and diluted EPS is $0.41 and $0.40 per share.

IFRS 16 'Leases'

IFRS 16 'Leases,' as issued by the IASB in January 2016, has been adopted by the Group on 1 January 2018 in advance of its effective date. The Group has applied IFRS 16 using the modified retrospective approach. This approach allows the recognition of the lease liability and asset as at 1 January 2018 with no restatement of prior period financial statements. The Group has also applied the practical expedient on transition to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group has adopted the practical expedients relating to short term and low value assets which allow these to be expensed through the income statement.

The main impact is around property leases where the Group is the lessee. The Group also has a number of unrecognised non-cancellable contractual commitments relating to network service contracts and maintenance contracts, which have varying terms. These do not constitute identified assets and do not meet the definition of a lease under IFRS 16. These have therefore continued to be expensed through the income statement.

The adjustments as at 1 January 2018 to the Group's Balance Sheet are the recognition of right-of-use assets and lease liabilities. These are shown in the table below.

($ in millions)	Balance sheet as at 1 January 2018 Reported	IFRS 16 adjustment	Post IFRS 16 adjustment
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**

The lease liability of $87.2m has been calculated as at 1 January 2018 using the present value of the unpaid lease payments over the lease term specific to each lease, using the incremental borrowing rate as the discount rate. The liability has been separated between a current ($13.1m) and a non-current liability ($74.1m). A right of use asset of $75.7m has been created based on being equal to the lease liability, adjusted by $11.5m of accruals related to the phasing of lease payments. The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised at the date of initial application was 3.6%.

In terms of the Group's financial performance for 2018, EBITDA is $12.8m higher under IFRS 16 compared to the previous standard (excluding the gain on revaluation of lease liabilities), as lease costs are removed from operating costs and used to reduce the liability. Profit before tax is only $0.6m higher as the right-of-use assets attract depreciation and the unwinding of the discounted cash flows result in an interest charge.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments,' as issued by the IASB in July 2014, has been adopted by the Group on the effective date of 1 January 2018. IFRS 9 supersedes the existing accounting guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and the related interpretations. The standard was applied using the modified retrospective approach for year ended 31 December 2018 with the exception of hedge accounting. The Group has not restated prior periods or recognised any adjustments in opening retained earnings

The new standard covers the accounting treatment of the following three areas:

- classification and measurement of financial assets and liabilities
- impairment of financial assets
- hedge accounting

Classification and measurement of financial assets and liabilities

IFRS 9 requires financial asset classification to be based on contractual cash flow characteristics and the objective of the Group in holding the financial asset. The new measurement model results in the reclassification of all financial assets due to the reduction in classification categories to amortised cost, fair value through profit and loss and fair value through other comprehensive income. The changes have not had a quantitative impact on the financial statements with accounting treatment remaining unchanged.

The table below shows the assessment performed by the Group.

Financial Asset	IAS 39 Classification	IAS 39 Measurement	IFRS 9 Classification & measurement
Trade receivables	Loans and receivables	Amortised cost	**Amortised cost**
Accrued income	Loans and receivables	Amortised cost	**Amortised cost**
Other receivables	Loans and receivables	Amortised cost	**Amortised cost**
Cash and cash equivalents	Fair value through profit and loss	Fair value through profit and loss	**Fair value through profit and loss**
Short-term deposits	Loans and receivables	Amortised cost	**Amortised cost**

Impairment of financial assets

The IAS 39 'incurred loss model' is replaced by the IFRS 9 forward looking 'expected credit loss model'. The new model requires either 12-month expected credit losses ('ECLs'), or lifetime ECLs to be recognised for all financial assets at initial recognition, before an impairment event occurs.

The Group has applied the simplified approach under the expected credit loss model, which leads to lifetime expected credit losses always being recognised. Under the standard, a provisioning matrix can be used to group financial assets and calculate the expected credit losses based on these groupings.

The Group uses a matrix based on ageing and internal credit ratings which are allocated to all debtors. Refer to note 18 for further details.

There has been no material impact on 2018 or the prior year due to the adoption of the ECL model.

Hedge Accounting
Given the Group's limited hedging activities and the lack of benefit to financial statement users for adopting the hedging requirements of IFRS 9, the Group has elected not to adopt this until mandatory and has maintained the treatment under IAS 39.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

IFRIC 22 is effective from 1 January 2018 and is applied prospectively. The interpretation clarifies how to account for transactions that involve advance consideration paid or received in a foreign currency. This has had no impact on the Group.

Revised accounting policies adopted by the Group

Unallocated launch slots

Following significant investment in future growth combined with rapid changes in technologies, the Group has refined operational processes to be more agile and adaptive in order to capture and secure market share. In turn the Group have reassessed their current accounting policies specifically around the launch process to ensure these are reflective of the operational changes. The Group consider the need for a portfolio of launch slots to provide flexibility to launch satellites as and when they are required. Previously unallocated launch slots were recorded in prepayments. These have been reclassified to intangible assets.

As a result, the comparative financial numbers for the year 2017 have been restated and intangible assets have increased by $19.2m to $808.1m and total prepayments have decreased by $19.2m to $30.7m. There has been no impact to total assets.

New and amended accounting standards that have been issued but are not yet effective and have not been adopted by the Group

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 will be effective for periods beginning on or after 1 January 2019. The interpretation clarifies the application of recognition and measurement requirements in IAS 12 for uncertain tax positions. Guidance is provided on a number of areas including whether uncertain tax positions should be considered separately or together, the appropriate method to reflect uncertainty, and how to account for changes in facts or circumstances.

When IFRIC 23 is adopted, it can be applied either on a full retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, where possible without the use of hindsight or with the cumulative retrospective impact of IFRIC 23 applied as an adjustment to equity on the date of adoption. The Group is expected to adopt IFRIC 23 retrospectively on the 1 January 2019 with the cumulative effect recognised in equity on the date of adoption.

The Group has assessed the impact that IFRIC 23 will have on the uncertain tax positions as at 31 December 2018. The material impact of the adoption of IFRIC 23 is a change in the most appropriate method to reflect the uncertainty in the uncertain tax positions. The expected adjustment as at 1 January 2019 in the Group's Balance Sheet is an increase of $7.5m to the current tax creditor and an increase of $6.2m to the deferred tax creditor, while opening 2019 retained earnings are expected to decrease by $13.7m.

IFRS 17 'Insurance Contracts'

IFRS 17 will be effective for periods beginning on or after 1 January 2021 and supersedes IFRS 4 'Insurance Contracts,' subject to endorsement by the EU. Neither standard is applicable to the Group.

Amendments to accounting standards that are effective for the current period

The following standards have all been endorsed by the EU and are effective for the current period. The Group has considered all the below amendments and has determined that these do not have a material impact.

- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, and incorporate the share of the results of associates using the equity method of accounting.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated income statement from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All transactions, balances, income and expenses with and between subsidiary undertakings have been eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination, are not material to the Group's financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. When the Group acquires a business, it identifies the assets and liabilities of the acquiree at the date of acquisition and measures them at fair value. Only separately identifiable intangible assets are recognised. Any assets or disposal groups held for sale at the acquisition date are measured at fair value less costs to sell.

Consideration is the fair value at the acquisition date of the assets transferred and liabilities incurred in acquiring the business and includes the fair value of any contingent consideration. Changes in fair value of contingent consideration after the acquisition date are recognised in the income statement. Acquisition-related costs are expensed as incurred and included in operating costs.

Goodwill is initially measured at cost as the difference between the fair value of the consideration for the acquisition and fair value of the net identifiable assets acquired, including any identifiable intangible assets other than goodwill. If the assessment of goodwill results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company and most of the Group's subsidiaries, as well as the presentation currency of the Group, is US Dollar. This is as the majority of operational transactions and financing are denominated in US Dollars.

Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transactions.

On consolidation, assets and liabilities of foreign operations are translated into the Group's presentation currency at the prevailing spot rate at year end. The results of foreign operations are translated into US Dollars at the average rates of exchange for the year. Foreign currency translation differences resulting from consolidating foreign operations are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

REVENUE

The Group applies the 5 step-model as required by IFRS 15 in recognising its revenues. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied.

Mobile satellite communications service revenues result from utilisation charges that are recognised as revenue over the minimum contract period. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts.

The Group enters into minimum spend contracts with customers, known as 'take-or-pay' contracts, whereby customers agree to purchase a minimum value of mobile satellite communications services over a fixed period. Any unused portion of the prepaid contracts or the take-or-pay contracts ('breakage') that is deemed highly probable to occur by the expiry date is estimated at contract inception and recognised over the contract period in line with the pattern of actual usage of units by the customer.

Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime and subsequently recognised over time. Breakage from prepaid credit deferrals which is considered highly probable is estimated and recognised from contract inception. Mobile satellite communications service revenues from capacity sold are recognised on a straight-line basis over the term of the contract concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

Revenue from spectrum coordination agreements (such as Ligado Networks), is recognised at a point in time based on standalone selling prices.

Revenue from service contracts is recognised as the service is provided over time based on the contract period.

Revenue of terminals and other communication equipment sold are recognised at the point in time when control is transferred to the customer. Installation revenues relating to this are also recognised at a point in time. Revenue from installation of terminals and other communication equipment owned by Inmarsat and used in the delivery of the service to the customer is however recognised over the contract term.

The Group offers certain products and services as part of multiple deliverable arrangements. Consistent with all other contracts, the Group will assess whether the performance obligations are distinct by considering whether 1) the customer can benefit from good or service on its own; or together with other readily available resources 2) the good or service is distinct in the context of the contract. The transaction price is allocated to each performance obligation based on its stand-alone selling price relative to the total of all performance obligations' stand-alone selling prices under the contract.

The nature of the contracts within the Group may give rise to variable consideration. This is estimated as the most likely amount based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available and is included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Where a contract contains a significant financing component, the Group adjusts the transaction price to a present value where the effect of discounting is deemed to be material. The Group has adopted the practical expedient whereby it is not required to adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less. For contracts with an overall duration greater than one year, the practical expedient also applies if the period between performance and payment for that performance is one year or less.

A contract asset or a contract liability will arise when the performance of either party exceeds the performance of the other. Contract assets are rights to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time. Contract liabilities are obligations to transfer goods or services to a customer for which the entity has received consideration, or for which an amount of consideration is due to the customer. These are referred to as deferred income within the Group.

Contract costs to obtain a contract and fulfil a contract are capitalised and amortised on a systematic basis, consistent with the pattern of transfer of the goods or services to which the capitalised cost relates. As a practical expedient, a cost to obtain contract with a customer will be immediately expensed if it has an amortisation period of one year or less.

FINANCING INCOME AND FINANCING COST

Financing income comprises interest receivable on funds invested in short-term deposits.

Financing costs comprise interest payable on borrowings including the Senior Notes and Convertible Bonds, accretion of the liability component of the Convertible Bonds, amortisation of deferred financing costs, the unwind of the discount on deferred satellite liabilities, interest on lease liabilities and interest on the net defined benefit and post-employment asset/liability. Finance charges are recognised in the income statement at the effective interest rate.

The change in fair value of the derivative liability component of the 2023 Convertible Bond is presented within net financing costs in the income statement. Further details on the accounting for derivative financial instruments is provided below.

FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables, including prepaid and accrued income, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The Group stratifies trade debtors based on internal credit ratings. The Group calculates the loss allowance for trade receivables and contract assets based on lifetime expected credit losses under the IFRS 9 simplified approach.

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, comprises cash balances, deposits held on call with banks, money market funds and other short-term, highly liquid investments with an original maturity of three months or less. Bank overdrafts are shown as current liabilities within borrowings on the balance sheet.

FINANCIAL LIABILITIES AND EQUITY

Equity instruments

An equity instrument is any contract that evidences a residual interest in the net assets of the Group. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings, comprising interest-bearing bank loans and overdrafts, are initially recognised at fair value which equates to the proceeds received, net of direct transaction and arrangement costs. They are subsequently measured at amortised cost. Finance charges related to borrowings, including amortisation of direct transaction costs, are charged to the income statement over the term of the borrowing using the effective interest rate method.

Borrowings are generally classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case borrowings are classified as non-current liabilities.

Convertible Bonds

The Group has issued Convertible Bonds which are net share settled instruments. Upon conversion the Group will repay the principal in cash and satisfy the remaining conversion value by issuing ordinary shares of the Company (if the market value of the Company's shares at settlement date exceeds the conversion price). Upon issuance, the embedded options did not meet the 'fixed-for-fixed' criterion under IAS 32. These embedded options represent non-closely related embedded derivatives that are bifurcated from the host debt contract and measured at fair value through profit and loss. The issued instrument has multiple embedded derivatives, all derivatives that relate to the same risk exposure are assessed and accounted for as a single compound instrument.

The cash debt component is initially recognised as the present value of the principal and interest payments using a discount rate for a similar instrument with the same terms and conditions but without the conversion option. After initial recognition, it is measured at amortised cost using the effective interest method with the interest expense recognised in the income statement and a cash outflow resulting from coupon payments to bond holders.

The derivative liability component is initially assigned the residual amount after deducting from the fair value of the instrument as a whole, the fair value of a comparable, non-convertible bond, known as a debt host contract.

The derivative liability is sensitive to changes in the bond price and is marked-to-market at each reporting date with the increase or decrease recognised in the income statement.

Senior Notes

The Group has issued Senior Notes that are included within borrowings, and are initially recognised at fair value which equates to the proceeds received, net of direct transaction costs and any premium or discount. These instruments are subsequently measured at amortised cost. Finance charges, including amortisation of direct transaction costs and any premium or discount, are recognised in the income statement over the term of the borrowing at the effective interest rate method.

Net borrowings

Net borrowings consists of total borrowings less cash and cash equivalents and short-term investments. Borrowings exclude accrued interest and any derivative financial liabilities.

Derivative financial instruments

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is recognised in the income statement, except where the derivative is used to hedge against risks such as fluctuations in interest rates or foreign exchange rates. The accounting policy for hedging follows below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement within financing costs.

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 and Thales for the construction of the I-6 and GX-5 satellites.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised, or when a forecast sale occurs. When the hedged item is the future purchase of a non-financial asset or non-financial liability, the amount recognised as other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

EMPLOYEE BENEFITS

Wages, salaries, social security contributions, accumulating annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are performed by the employees of the Group.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrably committed to either terminate the employment of current employees or to provide termination benefits, as a result of an offer made to encourage voluntary redundancy.

The Group recognises liabilities relating to defined benefit pension plans and post-employment benefits in respect of employees. The Group's net obligations in respect of defined benefit pension plans and post-employment benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The estimated future benefit is discounted to its present value, from which the fair value of any plan assets is deducted to calculate the plan's net asset/liability position. The calculations are performed by qualified actuaries using the projected unit credit method.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the statement of comprehensive income.

The Group also operates a number of defined contribution pension schemes. Pension costs for the defined contribution schemes are charged to the income statement when the related employee service is rendered.

The Group issues equity-settled share options and awards to employees. Equity-settled share option awards are measured at fair value of the options at the date of the grant. The fair value of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

TAXATION

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement as it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on temporary differences arising between assets and liabilities' tax bases and their carrying amounts (the balance sheet method). Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

Deferred tax liabilities are provided on all taxable temporary differences except on those:

- arising from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit
- associated with investments in subsidiaries and associates, but only to the extent that the Group controls the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set them off, when they relate to income taxes levied by the same taxation authority and if the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Uncertain tax positions

The Group's policy is to comply with all enacted laws in the relevant jurisdictions in which the Group prepares its tax returns. However, tax legislation, especially as it applies to corporate taxes, is not always prescriptive and more than one interpretation of the law may be possible. In addition, tax returns in many jurisdictions are filed in arrears a year or more after the end of the accounting period to which they relate. The tax authorities often have a significant period in which to enquire into these returns after their submission. As a result, differences in view, or errors in returns, may not come to light until some time after the initial estimate of tax due is determined. This necessarily leads to a position of uncertain tax positions.

Where the Group is aware of significant areas where the law is unclear and where this has been relied upon in a filing position of a tax return, or, in an area where different outcomes and interpretations are possible and may lead to a different result, the Group provides for the uncertain tax position. A provision is made when, based on the available evidence, the Group considers that it is probable that further amounts will be payable, or a recoverable tax position will be reduced, and the adjustment can be reliably estimated. The Group calculates the uncertain tax position using a single best estimate of the most likely outcome on a case-by-case basis.

PROPERTY, PLANT AND EQUIPMENT

General

Property, plant and equipment assets are initially recognised at cost and subsequently treated under the cost model: at cost less accumulated depreciation and any accumulated impairment losses.

Space segment assets

Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestones, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset. Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. Depreciation on space segment assets is recognised over the life of the satellites from the date they become operational and are placed into service. The associated liability is stated at its net present value and included within borrowings.

Assets in the course of construction

These assets are carried at cost with no depreciation charged whilst in the course of construction. The assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service.

Capitalised borrowing costs

The Group incurs borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalised as part of the cost of the asset. Capitalisation commences when the Group begins to incur the borrowing costs and related expenditures for the asset, and when it undertakes the activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Other fixed assets

Other fixed assets are initially recognised at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated to write-off the historical cost less residual values, if any, of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. The Group selects its depreciation rates and residual values carefully and reviews them annually to take into account any changes in circumstances or expectations. When determining useful lives, the principal factors considered are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. Any change in useful lives are accounted for prospectively. The Group also reviews the residual values and depreciation methods on an annual basis.

Derecognition

An item of property plant or equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. A grant that relates to an expense item is recognised as income on a systematic basis over the period(s) that the related costs are expensed. A grant that relates to an asset is deducted from the cost of the relevant asset, thereby reducing the depreciation charge over the useful life of the asset.

INTANGIBLE ASSETS

Intangible assets comprise goodwill, trademarks, software, terminal development and network access costs, spectrum rights, orbital slots, unallocated launch slots and licences, customer relationships and intellectual property.

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired as part of a business combination are initially recognised at their fair values as determined at acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Research and development costs

Research costs related to internally generated intangibles are expensed in the period that the expenditure is incurred.

Development costs are expensed when the costs are incurred unless it meets criteria for capitalisation under IAS 38. Development costs are only capitalised if the technical feasibility, availability of appropriate technical, financial and other resources and commercial viability of developing the asset for subsequent use or sale have been demonstrated and the costs incurred can be measured reliably. Capitalised development costs are amortised in the income statement on a straight-line basis over the period of expected future benefit.

Amortisation

Intangible assets with a finite useful life are amortised on a straight-line basis over the useful life of the asset. The amortisation period and method are reviewed on an annual basis. Intangible assets with an indefinite useful life, such as goodwill, are not amortised but reviewed annually for impairment.

IMPAIRMENT REVIEWS

Goodwill is not amortised, but is tested annually for impairment.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance. An asset is tested for impairment on an individual basis as far as possible to determine its recoverable amount. Where this is not possible, assets are grouped and tested for impairment in a cash generating unit. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An asset will be impaired if the carrying amount exceeds its recoverable amount, which is the higher of the fair value less costs to sell the asset and the value in use. The impairment loss will be recognised in the income statement.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Subsequent to an impairment loss, if indications exist that an asset's recoverable amount might have increased, the recoverable amount will be reassessed and any impairment reversal recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount will not exceed the depreciated historical cost (what the carrying amount would have been had there been no initial impairment loss).

Impairment losses in respect of goodwill are not reversed.

LEASES

Contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases by the Group. At the commencement date, the Group, as lessee, recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease, unless such a rate is not readily determinable, in which case the incremental borrowing rate is used. The right-of use asset comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs incurred by the Group. Lease term is determined as the non-cancellable period of a lease adjusted for any reasonably certain extension or termination option.

After commencement date, the right-of use asset is depreciated on a straight-line basis to the end of the lease term. The lease liability is accounted for by reducing the carrying amount to reflect the lease payments made, and increasing the carrying amount to reflect the interest on the lease liability.

As lessor for operating leases, the Group recognises lease payments as income. The underlying asset is depreciated on a straight-line basis over its expected useful life.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as 'held for sale' when their carrying values will be recovered through a sales transaction rather than through continued use. This classification is subject to meeting the following criteria:

- management is committed to a plan to sell and the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- the asset is available for immediate sale
- the sale is highly probable to be concluded within 12 months of classification as held for sale and
- it is unlikely that the plan to sell will be significantly changed or withdrawn

Disposal groups are groups of assets and associated liabilities to be disposed of together in a single transaction. At the reporting date they are separately disclosed as current assets and liabilities on the balance sheet.

When non-current assets or disposal groups are classified as held for sale, depreciation and amortisation will cease and the assets are remeasured at the lower of their carrying amount and fair value less costs to sell. Any resulting impairment loss is recognised in the income statement, except for assets treated under the revaluation model, where the adjustment would first decrease the revaluation reserve before any excess will be recognised as an impairment loss in the income statement. Any remainder in the revaluation reserve will be released to the income statement on the date of sale.

INVENTORIES

Inventories are stated at the lower of cost (determined by the weighted average cost method) and net realisable value. Allowances for obsolescence are recognised in other operating costs when there is objective evidence that inventory is obsolete.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The expense relating to a provision is recognised in the income statement, except where the obligation is to dismantle or restore an item of property, plant or equipment, in which case the amount is capitalised to the cost of the asset. The capitalised amount is subsequently depreciated to the income statement over the remaining useful life of the underlying asset.

Provisions are discounted to a present value at initial recognition where the effect of discounting is deemed to be material. Discounted provisions will unwind over time using the amortised cost method with finance cost recognised in the income statement. Provision estimates are revised each reporting date and adjustments recognised in line with the provision's initial recognition (either in the income statement or recognised against the cost of the asset).

Asset retirement obligations

The fair value of legal obligations associated with the retirement of tangible property, plant and equipment is recognised in the financial statements in the period in which the liability is incurred. Upon initial recognition of a liability for an asset retirement obligation, a corresponding asset retirement cost is added to the carrying amount of the related asset, which is subsequently amortised to income over the remaining useful life of the asset. Following the initial recognition of an asset retirement obligation, the carrying amount of the liability is increased for the passage of time by applying an interest method of allocation to the liability with a corresponding accretion cost reflected in operating expenses.

Revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognised each period as an adjustment to the carrying amount of the asset retirement obligation.

ALTERNATIVE PERFORMANCE MEASURES

In addition to IFRS measures the Group uses a number of Alternative Performance Measures ('APMs') in order to provide readers with a better understanding of the underlying performance of the business, and to improve comparability of our results for the period. More detail on IFRS and APMs can be found on page 165.

3. FINANCIAL RISK MANAGEMENT

BREXIT

The United Kingdom leaving the European Union on 29 March 2019 is not expected to have a significant financial impact on the Group. The majority of revenue, capital expenditure and long-term borrowings are denominated in US Dollars reducing our exposure to a weakening Sterling. Additional costs incurred from professional fees for legal advice and work permits for employees are expected to be limited. For information pertaining to the potential operational impacts to the Group, refer to pages 52 to 58 for the Group's principal risks.

FINANCIAL RISK FACTORS

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and to limit the impact of fluctuating interest rates by minimising the amount of floating rate long-term borrowings.

The Board of Directors has delegated to the treasury department the responsibility for setting and implementing the financial risk management policies applied by the Group. The treasury department has an operating manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 32). The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(A) MARKET RISK

(i) Foreign exchange risk

The functional currency of Inmarsat plc is the US Dollar. Apart from the deferred satellite liability, all of the Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the majority of capital expenditure is denominated in US Dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange.

However, the Group operates internationally, resulting in approximately 3% and 16% of total revenue and total expenditure, respectively, being denominated in currencies other than the US Dollar. Approximately 28% (2017: 27%) of the Group's operating costs are denominated in Pounds Sterling. The Group's exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

As at 31 December 2018 it is estimated that a hypothetical 10% increase in the US Dollar/Sterling year-end exchange rate (US$1.27/£1.00 to US$1.4/£1.00) would have decreased the 2018 profit before tax by approximately $2.6m (2017: $4.8m). Management believes that a 10% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

The Group is not exposed to significant equity securities price risk or commodity price risk.

(B) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has interest-bearing assets such as cash and cash equivalents, short-term deposits, and non-current other receivables however interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk; however, as at 31 December 2018, the Group has no borrowings issued at variable. The Senior Notes due 2022 and 2024, the Convertible Bonds due 2023 and the Ex-Im Bank Facilities are all at fixed rates.

(C) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. A debt will be deemed uncollectable and therefore written off based on one or more of the following criteria:

- Insolvency (formal or just ceased trading)
- Debtor cannot be located
- Debt uneconomical to pursue

For any write-offs, a standard procedure is followed with authorisations obtained in-line with the Group's framework.

Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits, trade receivables, other receivables, accrued income and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

The maximum exposure to credit risk as at 31 December is:

($ in millions)	Note	2018	2017
Cash and cash equivalents	17	143.2	144.9
Short term deposits		145.7	342.0
Trade receivables, other receivables and accrued income	32	337.7	275.3
Derivative financial instruments	32	0.3	1.5
Total credit risk		626.9	763.7

The Group's average age of trade receivables as at 31 December 2018 was approximately 79 days excluding Ligado and approximately 72 days including Ligado (2017: 57 days excluding Ligado and 52 days including Ligado).

At 31 December 2018, $257.5m (2017: $170.0m) of trade receivables were not yet due for payment. No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of the individual agreements.

The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third-party collection processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis. The provision for uncollectible trade receivables has increased to $28.4m as at 31 December 2018 (2017: $12.5m).

For 2018, no customer comprised greater than 10% of the Group's total revenues (2017: no customer).

(D) LIQUIDITY RISK

The Group is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits and the availability of funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The available liquidity of the Group as at 31 December is:

($ in millions)	Note	2018	2017
Cash and cash equivalents	17	143.2	144.9
Available but undrawn borrowing facilities[1]	20	750.2	500.5
Total available liquidity		893.4	645.4

1 Relates to the Senior Revolving Credit Facility (see note 20)

The Directors believe the Group's liquidity position is more than sufficient to meet its needs for the foreseeable future.

4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reported period.

ESTIMATES AND ASSUMPTIONS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The following key estimates have been made:

(A) TAXATION

The calculation of the Group's uncertain tax provisions involves estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the Group's best estimation. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of $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.

(B) REVENUE IN RESPECT OF THE LIGADO NETWORKS COOPERATION AGREEMENT

In December 2007, Inmarsat and Ligado Networks (formerly LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc.) entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. The Cooperation Agreement was segregated into phases and designed to enable and support the deployment of an ATC network by Ligado in North America.

In March 2016, Ligado Networks agreed to take the 30MHz option (the '30MHz Plan') under Phase 2 of the Cooperation Agreement between the companies. In exchange for the deferral of some payments from Ligado to Inmarsat, the parties agreed to delay the transition to the 30MHz Plan, with Ligado providing Inmarsat enhanced spectrum usage rights for its satellite operations for a minimum period of two years.

The timing of the revenue recognition and related costs is dependent on when Ligado receive their FCC licence, which remains uncertain. Key estimates relating to the determination of the transaction price have been made driven by the expected contract term and payment profile.

For the year ended 31 December 2018, the Group recognised $130.7m of revenue with $0.1m operating costs (year ended 31 December 2017: $126.7m and $2.0m respectively).

JUDGEMENTS

In the process of applying the Group's accounting policies, the following judgements have been made, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(C) REVENUE IN RESPECT OF THE LIGADO NETWORKS COOPERATION AGREEMENT

At 31 December 2018, deferred income in respect of the Cooperation Agreement of $206.7m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, is dependent upon when Ligado receive their FCC licence, which remains uncertain. An accounting judgement has been made in assuming that there remains a future obligation. During 2018, $0.1m was recognised in relation to costs incurred on interference.

At 31 December 2018, a receivable of $35.0m has been recorded on the balance sheet relating to the deferrals. This was previously netted off within the deferred income, however this has been disclosed separately on the adoption of IFRS 15. The Group believe that this receivable is recoverable.

(D) CAPITALISATION OF SPACE SEGMENT ASSETS AND ASSOCIATED BORROWING COSTS

The net book value of space segment assets is currently $2,231.5m (2017: $2,510.3m). There have been additions of $0.6m in the year (2017: $174.9m). The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

- whether the capitalisation criteria of the underlying IAS have been met
- whether an asset is ready for use and as a result further capitalisation of costs should cease and depreciation should commence and
- whether an asset is deemed to be substantially complete and as a result capitalisation of borrowing costs should cease

(E) PROXY BOARD ARRANGEMENT

The Group has made key judgements in determining the appropriateness of consolidating Inmarsat Government Inc.

The U.S. Government element of Inmarsat's Government business unit is managed through the U.S. trading entity, Inmarsat Government Inc., a wholly-owned subsidiary of the Group. The business is managed through a Proxy agreement as required by the U.S. National Industrial Security Program ('NISP'). A Proxy agreement is an instrument intended to mitigate the risk of foreign ownership, control or influence when a foreign person owns, acquires or merges with a U.S. entity that has a facility security clearance under the NISP. The Proxy agreement conveys the foreign owner's voting rights to the Proxy Holders, comprised of the Proxy board. There are three Proxy holders who are U.S. citizens cleared and approved by the U.S. Defence Security Service ('DSS').

The Proxy holders have a fiduciary duty, and agree, to perform their role in the best interests of the Group (including the legitimate economic interest), and in a manner consistent with the national security interests of the U.S.

The DSS requires Inmarsat Government Inc. to enter into a Proxy agreement because it is indirectly owned by the Group and it has contracts with the Department of Defence which contain certain classified information. The Proxy agreement enables Inmarsat Government Inc. to participate in such contracts with the U.S. Government despite being owned by a non-U.S. corporation.

Under the Proxy agreement, the Proxy holders have the power to exercise all privileges of share ownership of Inmarsat Government Inc. In addition, as a result of the Proxy agreement, certain limitations are placed on the information which may be shared, and the interaction which may occur, between Inmarsat Government Inc. and other Group companies.

The Group maintains its involvement in Inmarsat Government Inc.'s activities through normal business activity and liaison with the Chair of the Proxy Board. Inmarsat Government Inc.'s commercial and governance activity is included in the business update provided in regular Executive reports to the Board. This activity is always subject to the confines of the Proxy regime to ensure that it meets the requirement that Inmarsat Government Inc. must conduct its business affairs without direct external control or influence, and the requirements necessary to protect the U.S. national security interest.

In accordance with IFRS 10 'Consolidated financial statements', an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate. On the basis of the Group's ability to affect the financial and operating policies of the entity, we have concluded that the Group meets the requirements of IFRS 10 in respect of control over the entity and, therefore, consolidates the entity in the Group's consolidated accounts. There have been no changes in circumstances which impact any of the key judgements made by the Group.

(F) PRESENTATION OF CONVERTIBLE BOND

The Group holds the Convertible Bond as a non-current liability on the Balance Sheet, reflecting the expected redemption date of 9 September 2023. The bond is convertible from 20 October 2016 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL 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
- U.S. Government, focusing on U.S. civil and military government services
- Global Government, focusing on worldwide civil and military government services
- Aviation, focusing on commercial, business and general aviation services
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services

Details of these business units are given on pages 20 to 37.

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 U.S. Government and Global Government operating segments into one reporting segment as the segments have a similar type of customer for the products and services and meet the criteria for aggregation under IFRS. 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 and amortisation, net financing costs and taxation.

SEGMENT RESULTS

	2018					
($ in millions)	Maritime	Government	Aviation	Enterprise	Central Services	Total
Revenue	552.8	381.0	256.1	130.0	14.6	1,334.5
Ligado revenue	–	–	–	–	130.7	130.7
Total revenue	552.8	381.0	256.1	130.0	145.3	1,465.2
Net operating costs	(123.8)	(110.8)	(124.2)	(47.7)	(288.6)	(695.1)
EBITDA	429.0	270.2	131.9	82.3	(143.3)	770.1
Depreciation and amortisation						(468.3)
Other[1]						(13.1)
Operating profit						288.7
Net financing cost						(120.8)
Profit before tax						167.9
Taxation						(42.9)
Profit for the year						125.0
Cash capital expenditure	54.4	5.0	34.8	–	496.5	590.7
Financing costs capitalised in the cost of qualifying assets						43.7
Cash flow timing[2]						(61.5)
Total capital expenditure						572.9

($ in millions)	At 31 December 2018 Total
Timing of revenue recognition	
At a point in time	262.4
Over time	1,202.8
Total	1,465.2

1 Other relates to the share of profit from associates ($3.9m), loss on disposal of assets ($2.5m) and impairment of assets ($14.5m)
2 Cash flow timing represents the difference between accrued capex and the actual cash flows

($ in millions)	Maritime	Government	Aviation	Enterprise	Central Services	Total
	2017 (restated)					
Revenue	567.3	366.7	181.8	132.6	14.5	1,262.9
Ligado revenue	–	–	–	–	128.8	128.8
Total revenue	567.3	366.7	181.8	132.6	143.3	1,391.7
Net operating costs	(120.3)	(101.5)	(77.9)	(40.7)	(312.0)	(652.4)
EBITDA	447.0	265.2	103.9	91.9	(168.7)	739.3
Depreciation and amortisation						(411.8)
Other[1]						(3.3)
Operating profit						324.2
Net financing cost						(90.4)
Profit before tax						233.8
Taxation						(48.8)
Profit for the year						185.0
Cash capital expenditure	45.9	9.9	143.8	–	414.5	614.1
Financing costs capitalised in the cost of qualifying assets						40.2
Cash flow timing[2]						36.6
Total capital expenditure						690.9

($ in millions)	At 31 December 2017 Total
Timing of revenue recognition	
At a point in time	227.7
Over time	1,164.0
Total	**1,391.7**

1 Other relates to the share of profit from associates ($4.0m) and loss on disposal of assets ($7.3m)
2 Cash flow timing represents the difference between accrued capex and the actual cash flows

SEGMENTAL ANALYSIS BY GEOGRAPHY

The Group's operations are located in the geographical regions listed below. Revenues are allocated to countries based on the billing address of the customer. For wholesale customers, this is the distribution partner who receives the invoice for the service, and for retail customers this is the billing address of the customer for whom the service is provided. Assets and capital expenditure are allocated based on the physical location of the assets.

($ in millions)	2018 Revenue	2018 Non-current segment assets	2017 (restated) Revenue	2017 (restated) Non-current segment assets
United Kingdom	**71.4**	**1,044.1**	78.9	860.1
Rest of Europe	**444.7**	**1,059.2**	420.2	861.9
North America	**594.0**	**121.1**	561.5	117.4
Asia and Pacific	**257.4**	**114.3**	246.1	116.8
Rest of the world	**97.7**	**0.3**	85.0	0.1
Unallocated[1]	**–**	**1,899.6**	–	2,123.2
	1,465.2	**4,238.6**	1,391.7	4,079.5

1 Unallocated items relate to satellites which are in orbit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

REMAINING PERFORMANCE OBLIGATIONS

The table below shows the remaining revenue to be derived from unsatisfied (or partially unsatisfied) performance obligations under non-cancellable contracts with customers at the end of the year.

($ in millions)	At 31 December 2018 Total
Within one year	509.8
Between two to five years	926.0
Greater than five years	254.1
	1,689.9

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to partially unsatisfied performance obligations as of 31 December 2017 is not disclosed.

6. OPERATING PROFIT

Costs are presented by the nature of the expense to the Group. Network and satellite operation costs comprise costs to third parties for network service contracts and services. A breakdown of employee benefit costs is given in note 7.

Operating profit is stated after charging the following items:

($ in millions)	Note	2018	2017 (restated)
Depreciation of property, plant and equipment	13	**370.1**	328.6
Amortisation of intangible assets	14	**86.8**	83.2
Depreciation of right-of-use assets	15	**11.4**	–
Restructuring costs		**–**	19.9
Loss on disposal of assets		**2.5**	7.3
Impairment[1]		**14.5**	–
Operating lease rentals:			
Land and buildings		**–**	13.8
Cost of inventories recognised as an expense		**115.3**	62.3
Write downs of inventories recognised as an expense	19	**2.1**	5.1
Research costs expensed		**8.9**	8.0

Remuneration payable to the Group's auditor Deloitte LLP and its associates in the year is analysed below:

($ in millions)	2018	2017
Audit fees:		
Annual audit of the Company	**0.2**	0.2
Annual audit of subsidiary companies	**0.9**	0.9
Total audit fees	**1.1**	1.1
Audit-related assurance services[2]	**0.1**	0.1
Total audit and audit-related fees	**1.2**	1.2
Other services	**0.3**	–
Total non-audit fees	**0.3**	–
Total auditor's remuneration	**1.5**	1.2

1 Relates to $1.2m and $13.3m of tangible and intangible asset impairments respectively
2 Fees paid for audit-related assurance services refer to the half year and quarterly reviews of the Group's interim financial statements

7. EMPLOYEE BENEFIT COSTS

($ in millions)	Note	2018	2017
Wages and salaries		**255.5**	247.8
Social security costs		**25.0**	20.6
Share-based payments (including employers' national insurance contribution)		**8.2**	16.2
Defined contribution pension plan costs		**10.9**	6.0
Defined benefit pension plan costs[1]	29	**1.4**	2.0
Post-employment benefits costs[1]	29	**0.4**	0.4
Restructuring charge		**–**	19.9
Total employee benefit costs		**301.4**	312.9

1 Defined benefit pension plan costs and post-employment benefits costs include current service cost and gain on curtailment for 2017 (see note 29)

EMPLOYEE NUMBERS

The average monthly number of employees (including the Executive Directors) employed during the year:

	2018	2017
By activity:		
Operations	851	825
Sales and marketing	334	394
Development and engineering	237	250
Administration	403	385
	1,825	1,854
By segment:		
Maritime	103	107
Government	184	199
Enterprise	63	65
Aviation	197	171
Central Services	1,278	1,312
	1,825	1,854

The employee headcount numbers presented above refer to permanent full time and part time employees and exclude contractors and temporary staff. Employee benefit costs of $24.8m (2017: $30.1m) relating to contractors and temporary staff have been included in the cost table above.

8. KEY MANAGEMENT COMPENSATION

The Group's Executive and Non-Executive Directors are the key management personnel of the business. Details of the total amounts earned during the year are as follows:

($ in millions)	2018	2017
Short-term benefits	4.1	3.8
Share-based payments[1]	4.4	4.8
	8.5	8.6

1 Includes employers' national insurance or other social security contributions

The Remuneration report contains full disclosure of Directors' remuneration on pages 81 to 101. In both the current and prior year, no Director has been a member of the Group's defined contribution pension plan.

9. NET FINANCING COSTS

($ in millions)	2018	2017 (restated)
Bank interest receivable and other interest	(8.2)	(7.8)
Total financing income	(8.2)	(7.8)
Interest on Senior Notes and credit facilities	92.8	93.9
Interest on Convertible Bonds	38.4	37.5
Amortisation of debt issue costs	13.2	7.9
Amortisation of discount on Senior Notes due 2022	1.0	1.0
Unwinding of discount on deferred satellite liabilities	0.2	0.4
Net interest on the net defined benefit asset and post-employment liability	0.3	2.0
Interest on lease obligations	2.9	–
Other interest	0.7	3.4
Financing costs	149.5	146.1
Less: Amounts capitalised in the cost of qualifying assets	(43.7)	(40.2)
Financing costs excluding derivative adjustments	105.8	105.9
Change in fair value of the derivative liability component of the Convertible Bonds[1]	23.2	(7.7)
Net financing cost	120.8	90.4

1 For further details of the derivative liability component of the Convertible Bonds due 2023 please refer to note 20

Borrowing costs capitalised in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditures on such assets. The average interest capitalisation rate for the year was 7.4% (2017: 8.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAXATION

The tax charge for the year recognised in the income statement:

($ in millions)	2018	2017 (restated)
Current tax:		
Current year	**49.5**	21.8
Adjustments in respect of prior years	**1.3**	(4.5)
Total current tax	**50.8**	17.3
Deferred tax:		
Origination and reversal of temporary differences	**(14.8)**	14.6
Adjustments due to reduction in corporation tax rates	**0.2**	9.1
Adjustments in respect of prior years	**6.7**	7.8
Total deferred tax	**(7.9)**	31.5
Total taxation charge	**42.9**	48.8

The effective tax rate is 25.5% (2017: 20.9%) and is reconciled below:

($ in millions)	2018	2017 (restated)
Profit before tax	**167.9**	233.8
Income tax at 19.0% (2017: 19.25%)	**31.9**	45.0
Differences in overseas tax rates	**(4.4)**	(6.3)
Adjustments in respect of prior periods	**8.0**	3.3
Adjustments due to reduction in the corporation tax rate	**0.2**	9.1
Impact of UK patent box regime	**(1.7)**	(3.2)
Impact of change in fair value of derivative liability component of Convertible Bond	**4.4**	(1.5)
Other non-deductible expenses/non-taxable income	**4.5**	2.4
Total taxation charge	**42.9**	48.8

Tax credited directly to equity:

($ in millions)	2018	2017
Deferred tax credit/(charge) on share-based payments	**1.0**	(0.2)
Deferred tax credit/(charge) on pensions	**0.3**	–
Total tax credited directly to equity	**1.3**	(0.2)

Tax (charged)/credit directly to other comprehensive income:

($ in millions)	2018	2017
Deferred tax (charged)/credit on remeasurement of defined benefit asset and post-employment benefits	**(3.1)**	(2.3)
Total tax (charged)/credited directly to other comprehensive income	**(3.1)**	(2.3)

11. NET FOREIGN EXCHANGE (GAIN)/LOSS

($ in millions)	Note	2018	2017
Defined benefit plan and post-employment benefits	29	**0.2**	1.5
Other operating income		**(1.9)**	(0.3)
Total foreign exchange (gain)/loss		**(1.7)**	1.2

12. DIVIDENDS

During 2018, the 2018 interim dividend of $36.9m (8 cents per ordinary share) and the 2017 final dividend of $55.0m (12 cents per ordinary share) were paid to the Company's shareholders.

For the 2018 interim dividend, the Group offered a scrip dividend election allowing shareholders to take their cash dividend entitlement in Inmarsat shares. This option was taken up by shareholders holding approximately 84.9m shares (2017 interim dividend: 63.3m shares), representing 18.4% (2017 interim dividend: 13.9%) of our issued share capital. The scrip amounted to 1,044,660 new shares (2017 interim dividend: 1,617,973 new shares) and 0.23% (2017 interim dividend: 0.35%) of the issued share capital, which represented a $6.8m (2017 interim dividend: $13.7m) cash dividend savings. These shares were issued and made available for trading on 19 October 2018 (2017 interim dividend: 20 October 2017).

For the 2017 final dividend, the Group offered a scrip dividend election allowing shareholders to take their cash dividend entitlement in Inmarsat shares. This option was taken up by shareholders holding approximately 129.8m shares, representing 28.3% of our issued share capital. The scrip amounted to 3,015,936 new shares and 0.66% of the issued share capital, which represented a $15.6m cash dividend savings. These shares were issued and made available for trading on 26 May 2018.

During 2017, the 2017 interim dividend of $98.6m (21.62 cents per ordinary share) and the 2016 final dividend of $151.2m (33.37 cents per ordinary share) were paid to the Company's shareholders.

The Inmarsat plc Board of Directors intends to recommend a final dividend of 12 cents per ordinary share in respect of the year ended 31 December 2018 to be paid on 30 May 2019 to ordinary shareholders on the share register at the close of business on 23 April 2019.

($ in cents)	2018	2017
Interim dividend paid per ordinary share	**8.00**	21.62
Final dividend per ordinary share	**12.00**	12.00
Total dividend per ordinary share	**20.00**	33.62

13. PROPERTY, PLANT AND EQUIPMENT

($ in millions)	Freehold land and buildings	Service equipment, fixtures and fittings (restated)[2]	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2017 (restated)	20.6	359.9	3,652.6	861.8	4,894.9
Additions	–	88.5	174.9	351.6	615.0
Disposals	–	(226.7)	(99.9)	(0.9)	(327.5)
Transfers from assets in the course of construction and reclassifications[1]	–	64.2	565.6	(629.8)	–
31 December 2017 (restated)	**20.6**	**285.9**	**4,293.2**	**582.7**	**5,182.4**
Additions	–	24.4	0.6	449.6	474.6
Disposals	–	(84.8)	(160.4)	(0.4)	(245.6)
Transfers from assets in the course of construction and reclassifications[1]	–	96.2	20.9	(117.1)	–
31 December 2018	**20.6**	**321.7**	**4,154.3**	**914.8**	**5,411.4**
Accumulated depreciation:					
1 January 2017	(10.5)	(289.1)	(1,615.4)	–	(1,915.0)
Charge for the year	(0.5)	(60.7)	(267.4)	–	(328.6)
Disposals	–	216.8	99.9	–	316.7
31 December 2017 (restated)	**(11.0)**	**(133.0)**	**(1,782.9)**	**–**	**(1,926.9)**
Charge for the year	(0.4)	(69.6)	(300.1)	–	(370.1)
Impairment	–	–	–	(1.2)	(1.2)
Disposals	–	79.3	160.2	–	239.5
31 December 2018	**(11.4)**	**(123.3)**	**(1,922.8)**	**(1.2)**	**(2,058.7)**
Net book amount at 31 December 2017	**9.6**	**152.9**	**2,510.3**	**582.7**	**3,255.5**
Net book amount at 31 December 2018	**9.2**	**198.4**	**2,231.5**	**913.6**	**3,352.7**

1 Reclassifications relate to movements between tangible and intangible asset categories throughout the year to align accounting policies across the Group
2. The numbers restated have been discussed in note 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Depreciation of property, plant and equipment is charged using the straight-line method over the estimated useful lives, as follows:

Space segment assets:	
Satellites	13–15 years
Other space segment, including ground infrastructure	5–12 years
Fixtures and fittings, and services-related equipment	3–15 years
Buildings	50 years

Freehold land is not depreciated. At 31 December 2018 and 2017, the Group was carrying certain freehold land and buildings with a net book value of $9.2m (2017: $9.6m). Had they been revalued on a market basis, their carrying amount at 31 December 2018 would have been $32.9m (2017: $30.4m). Market valuation is based on the Directors' best estimates.

In 2018 the Group received government grants in relation to the purchase and construction of certain assets. The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount. Government grants received in 2018 were $2.5m (2017: $5.7m).

14. INTANGIBLE ASSETS

($ in millions)	Goodwill	Trademarks	Software	Intellectual property	Terminal development and network access costs	Customer relationships	Other (restated)	Total
Cost:								
1 January 2017	781.3	25.5	276.3	0.7	212.6	396.1	61.7	1,754.2
Additions	–	0.1	54.9	–	17.9	–	15.9	88.8
Disposals	–	–	(64.2)	(0.1)	(13.8)	–	(3.4)	(81.5)
31 December 2017	**781.3**	**25.6**	**267.0**	**0.6**	**216.7**	**396.1**	**74.2**	**1,761.5**
Additions	–	–	44.8	–	45.4	–	7.8	98.0
Disposals	–	–	(12.8)	–	–	–	(8.6)	(21.4)
31 December 2018	**781.3**	**25.6**	**299.0**	**0.6**	**262.1**	**396.1**	**73.4**	**1,838.1**
Accumulated amortisation:								
1 January 2017	(359.2)	(13.1)	(185.1)	(0.7)	(116.1)	(261.0)	(16.2)	(951.4)
Charge for the year	–	(1.0)	(36.2)	–	(12.5)	(29.1)	(4.4)	(83.2)
Disposals	–	–	63.9	0.1	13.8	–	3.4	81.2
31 December 2017	**(359.2)**	**(14.1)**	**(157.4)**	**(0.6)**	**(114.8)**	**(290.1)**	**(17.2)**	**(953.4)**
Charge for the year	–	(1.0)	(39.8)	–	(16.4)	(25.3)	(4.3)	(86.8)
Impairment	–	–	(6.3)	–	–	–	(7.0)	(13.3)
Disposals	–	–	13.1	–	–	–	2.7	15.8
31 December 2018	**(359.2)**	**(15.1)**	**(190.4)**	**(0.6)**	**(131.2)**	**(315.4)**	**(25.8)**	**(1,037.7)**
Net book amount at 31 December 2017	**422.1**	**11.5**	**109.6**	**–**	**101.9**	**106.0**	**57.0**	**808.1**
Net book amount at 31 December 2018	**422.1**	**10.5**	**108.6**	**–**	**130.9**	**80.7**	**47.6**	**800.4**

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition.

Trademarks are being amortised on a straight-line basis over their estimated useful lives, which are between seven and 20 years.

Software includes the Group's billing system and other internally developed operational systems and purchased software, which are being amortised on a straight-line basis over its estimated useful life of three to eight years.

The Group capitalises costs associated with the development and enhancement of user terminals and associated network access costs as intangible assets and amortises these over the estimated sales life of the related services, which range from five to ten years.

Customer relationships acquired in connection with acquisitions are being amortised over the expected period of benefit of between 12 and 14 years, using the straight-line method.

Other consists of orbital slots, licences, spectrum rights and unallocated launch slots. Orbital slots and licences relate to the Group's satellite programmes, and each individual asset is reviewed to determine whether it has a finite or indefinite useful life. Orbital slots are amortised over the useful life of the satellite occupying them. Amortisation of the GX programme finite life assets commenced when the Inmarsat-5 satellites went operational in December 2015. Unallocated launch slots are not amortised until allocated to a satellite asset where they are re-classed to Property, Plant and Equipment and depreciated in-line with Group policy discussed in note 2.

As at December 2018, the Group has no indefinite useful life intangible assets other than Goodwill.

Government grants received in 2018 were $nil (2017: $0.1m).The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount.

ANNUAL IMPAIRMENT REVIEW: GOODWILL

Impairment reviews of goodwill are performed at the level of the Group's cash-generating units ('CGUs'). For the Group, these are considered to be the Maritime, Enterprise, Aviation, U.S. Government and Global Government business units. The recoverable amount of each CGU has been determined based on value in use calculations. The key assumptions used by management in these calculations are the cash flow projections, long-term growth rates and discount rates for each CGU.

The impairment review conducted annually has identified sufficient headroom in the recoverable value of each CGU above their carrying value. A sensitivity analysis has been undertaken by changing key assumptions used for each CGU. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount of the CGUs being reduced to their carrying value. We do not anticipate any changes over the next 12 months that would result in the recoverable amount of the CGUs being reduced to their carrying value.

Key assumptions used to calculate the recoverable amount of the CGUs were as follows:

($ in millions)	Allocated goodwill	Pre-tax discount rate	Long-term growth rate
Maritime	215.5	8.5%	2.0%
Enterprise	54.8	8.5%	2.0%
Aviation	46.4	8.5%	2.0%
U.S. Government	50.6	8.5%	2.0%
Global Government	54.8	8.5%	2.0%
Total Group	**422.1**		

Cash flow projections

The recoverable amount of each CGU is based on the value in use, which is determined using cash flow projections derived from the most recent financial budgets and forecasts approved by management covering a five-year period. The short and medium-term cash flows reflect management's expectations of future outcomes taking into account past experience, adjusted for anticipated growth from both existing and new business in line with our strategic plans for each segment of our business. The cash flows also take into consideration our assessment of the potential impact of external economic factors.

Long-term growth rates

A long-term growth rate has been applied to extrapolate the cash flows into perpetuity. The growth rate has been determined using long-term industry growth rates and management's conservative expectation of future growth. The long-term growth rates are consistent across each of the CGUs given the similarities in exposure to economic and competitive conditions.

Discount rates

The discount rates reflect the time value of money and are derived from the Group's weighted average cost of capital, adjusted for the risk associated with the CGUs. The risk premium, when compared with the Group discount rate, was consistent across each of the CGUs given the similarities in exposure to economic and competitive conditions.

15. LEASES

RIGHT OF USE ASSETS

The right-of-use assets for the Group's property and vehicle leases are presented in the table below.

($ in millions)	Property	Vehicles	Total
Net carrying amount:			
1 January 2018	75.2	0.5	75.7
Additions and changes in terms	(1.8)	0.3	(1.5)
Impairment	(0.4)	–	(0.4)
Charge for the year	(11.0)	(0.4)	(11.4)
31 December 2018	**62.0**	**0.4**	**62.4**

One property lease and two vehicle leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. In total there were additions to right-of-use assets of $1.8m in 2018. The Group does not hold options to purchase any leased assets for a nominal amount at the end of the lease term.

The Group expenses short-term leases and low-value assets as incurred which is in accordance with the recognition exemption in IFRS 16. Expenses for short-term leases and low-value assets were less than $0.1m in 2018. As at 31 December 2018, the Group is committed to less than $0.1m of short-term leases and low-value assets.

The Group received less than $0.1m in relation to income from the subleasing of right-of-use assets.

LEASE LIABILITIES

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. The Group's lease liabilities as of 31 December 2018 comprise the transition of existing contracts, as well as contracts entered into during the financial year 2018. The table below presents the split of these liabilities by category:

($ in millions)	Property	Vehicles	Total
Lease liability non-current	59.5	0.1	59.6
Lease liability current	10.1	0.3	10.4
31 December 2018	**69.6**	**0.4**	**70.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The average lease term of the Group's property and vehicle leases is 3.3 and 1.2 years respectively. The maturity profile of the Group's leases is shown in the table below.

($ in millions)	At 31 December 2018 Property	Vehicles	Total
Within one year	**10.1**	**0.3**	**10.4**
Between two to five years	**40.8**	**0.1**	**40.9**
Greater than five years	**18.7**	**–**	**18.7**
	69.6	**0.4**	**70.0**

The table below reconciles the difference between the presentation of operating leases under IAS 17 and IFRS 16 as at 31 December 2017.

($ in millions)	At 31 December 2017 Lease maturity under IAS 17	IFRS 16 Differences[1]	Lease maturity under IFRS 16	Other unrecognised contractual commitments[2]
Within one year	12.7	0.4	13.1	6.9
Within two to five years	46.6	(6.7)	39.9	40.3
After five years	29.3	4.9	34.2	0.4
	88.6	(1.4)	87.2	47.6

1 IFRS 16 differences are caused by the discounting of cash flows, as well as cash flows for renewal periods being included in lease liability under the new standard

2 Other unrecognised contractual commitments relate to the Group's network service contracts and maintenance contracts, which have varying terms. Under IFRS 16, these do not constitute identified assets and do not meet the definition of a lease. These contracts continue to be expensed through the income statement

For the year ended 31 December 2018, the weighted average discount rate applied was 3.7%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The total cash flow relating to all lease obligations in 2018 was $12.3m with lease obligations denominated in various currencies. Total lease interest paid was $2.8m.

The Group does not face a significant liquidity risk with regard to its lease liabilities. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

16. INVESTMENTS

($ in millions)	At 31 December 2018	At 31 December 2017
Interest in associates	**17.7**	15.1
Other investments	**1.1**	1.1
Total investments	**18.8**	16.2

Interest in associates represents the Group's investments which have been treated as associates and have all been accounted for using the equity method of accounting. Individually, all of the investments in associates are deemed to be immaterial and as a result the associates' assets, liabilities, revenues and profits have not been presented.

Other investments represent the Group's 0.6% investment in Actility S.A. which was made on 5 April 2017 and is accounted for as fair value through profit and loss.

Cash dividends received from the associates for the year ended 31 December 2018 total $1.3m (2017: $2.1m). The Group's aggregate share of its associates' profits for the year is $3.9m (2017: $4.0m) and has been recognised in the income statement.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the cash flow statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

($ in millions)	At 31 December 2018	At 31 December 2017
Cash at bank and in hand	**143.2**	109.9
Short-term deposits with original maturity of less than three months	**–**	35
Cash and cash equivalents	**143.2**	144.9

At 31 December 2018, the Group has $145.7m of cash held in short-term deposits with an original maturity of between three and 12 months (2017: $342.0m). This amount is presented separately within current assets in the balance sheet.

Cash and cash equivalents include the following for the purposes of the cash flow statement:

($ in millions)	Note	At 31 December 2018	At 31 December 2017
Cash and cash equivalents		143.2	144.9
Bank overdrafts	20	–	(0.3)
Net cash and cash equivalents		**143.2**	144.6

18. TRADE AND OTHER RECEIVABLES

($ in millions)	At 31 December 2018	At 31 December 2017 (restated)
Current:		
Trade receivables	285.0	222.8
Other receivables	34.9	25.4
Accrued income	13.6	52.7
Prepayments	25.2	30.7
Total trade and other receivables	**358.7**	331.6
Non-current:		
Prepayments and accrued income	–	(0.6)
Defined benefit pension asset	30.9	18.1
Other receivables	4.3	–
Total other receivables	**35.2**	17.5

The Group applies the simplified approach under IFRS 9 for the impairment of receivables and contract assets. A provisioning matrix based on internal debtor credit ratings has been used in order to calculate the lifetime loss allowances for each grouping.

Debtors have been grouped based on ageing and each debtor's internal credit rating. This rating is a measure from A to E (with E being the highest risk of default) and considers the debtors financial strength, history and magnitude of past defaults, personal credit history with the Group and the associated level of sovereign and market risk. The information used in assigning ratings is both historical and forward looking as regular contact with debtors is maintained to understand if there is any additional risk forecast. Specific allowances are made to reflect any additional risk identified.

The table below presents the lifetime expected credit losses for trade receivables within each debtor category. No loss allowance has been recognised for other receivables and accrued income.

($ in millions)	Internal rating A	Internal rating B	Internal rating C	Internal rating D/E	2018 Total
Carrying value of trade receivables (gross)[1]	66.4	149.9	116.6	1.7	334.6
Lifetime ECL	0.7	3.2	6.4	1.7	12.0
Specific Allowances	–	–	16.4	–	16.4
Group Loss Allowance	0.7	3.2	22.8	1.7	28.4

1 This is presented gross of credit note allowances of $21.2m

The Group's trade and other receivables are stated after impairments. Movements during the year were as follows:

($ in millions)	2018	2017
At 1 January	12.5	13.7
Charged in the year	24.5	9.7
Utilised in the year	(2.2)	(4.2)
Released in the year	(6.4)	(6.7)
At 31 December[1]	**28.4**	12.5

1 The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2018 is $4.2m current, $5.0m between one and 30 days overdue, $8.0m between 31 and 120 days overdue and $11.2m over 120 days overdue (2017: $0.9m between one and 30 days overdue, $4.8m between 31 and 120 days overdue and $6.8m over 120 days overdue)

The Directors consider the carrying value of trade and other receivables to approximate to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. INVENTORIES

($ in millions)	At 31 December 2018	At 31 December 2017
Finished goods	**50.0**	33.3
Work in progress	**0.7**	0.6
Total inventories	**50.7**	33.9

The Group's inventories are stated after allowances for obsolescence. Movements in the allowance during the year were as follows:

($ in millions)	At 31 December 2018	At 31 December 2017
At 1 January	**11.6**	12.8
Charged to the allowance in respect of the current year	**6.2**	3.9
Released in the year	**(2.1)**	(5.1)
At 31 December	**15.7**	11.6

20. NET BORROWINGS

($ in millions)	At 31 December 2018			At 31 December 2017		
	Amount	Deferred financing cost	Net balance	Amount	Deferred financing cost	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	**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

EX-IM BANK FACILITIES

The Group has two direct financing agreements with the Export-Import Bank (the 'Ex-Im Bank Facilities') of the United States.

The $700.0m facility signed in 2011 was available to be drawn down for four years and is now repayable in equal semi-annual instalments over a further 7.5 years. This facility will mature in 2023. Drawings under this facility incur interest at a fixed rate of 3.11% for the life of the loan.

The $185.9m facility signed in 2014 was available for two years and is now repayable in equal semi-annual instalments over a further five years and will mature in 2021. Drawings under this facility incur interest at a fixed rate of 1.96% for the life of the loan.

SENIOR NOTES DUE 2022 AND 2024

On 4 June 2014, the Group issued $1.0bn of 4.875% Senior Notes due 15 May 2022. The aggregate gross proceeds were $992.1m, net of $7.9m issuance discount. On 22 September 2016, the Group issued $400.0m of 6.5% Senior Notes due 1 October 2024.

SENIOR REVOLVING CREDIT FACILITY

On 16 July 2018, the Group signed a new five-year $750.2m revolving credit facility ('Senior Revolving Credit Facility') to replace the previous $500m facility, on substantially the same terms. Advances under the facility bear interest at a rate equal to the applicable USD LIBOR or, in relation to any loan in euro, EURIBOR, plus a margin of between 0.7% and 2.0% determined by reference to the ratio of net debt to EBITDA. At 31 December 2018, there were no drawings under the Senior Revolving Credit Facility.

CONVERTIBLE BONDS

On 9 September 2016, the Group issued $650m of 3.875% Convertible Bonds due 9 September 2023. The bonds are convertible into ordinary shares of the Company and have a 3.875% pa coupon payable semi-annually and a yield to maturity of 3.681%. The bond is a net share settled instrument, meaning upon conversion the Group will repay the principal of $650m in cash and satisfy the remaining conversion value in ordinary shares (if the market value of the Company's shares at settlement date exceeds the conversion price of $13.41 and the option is exercised by the Bondholder). The Bond is convertible from 20 October 2016 and there is a call option after 2 October 2021 based on conditions set out within the Bond agreement. In the event of a change of control in ownership of the Group, the conversion price will be adjusted from $13.41 to the undisturbed share price prior to the offer.

Upon issuance, the instrument was bifurcated between a cash debt component and a derivative liability component, being $545.5m and $104.5m respectively. Issue costs totalled $8.1m.

($ in millions)	At inception
Fair value of Convertible Bonds issued	650.0
Cost of issue	(8.1)
Net proceeds	641.9
Derivative liability component	(104.5)
Debt liability component net of issue costs	537.4

The debt component meets the definition of net borrowings and over the term of the bond will accrete up to the principal value of $650.0m with the cost of that accretion recognised in net financing costs.

($ in millions)	2018	2017
Debt liability component at date of issue net of issue costs	**537.4**	537.4
Cumulative amortisation of debt issue costs to 31 December	**2.7**	1.5
Cumulative interest charged to 31 December	**87.5**	49.1
Cumulative coupon interest to 31 December	**(58.2)**	(33.0)
Debt liability component at 31 December	**569.4**	555.0

The derivative liability 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. It is excluded from net borrowings with the mark-to-market movements recognised in net financing costs as this represents the movement in fair value of the derivative component of the bond.

($ in millions)	2018	2017
Fair value of debt host liability component at 31 December	**545.8**	561.6
Fair value of derivative liability component at 31 December	**148.8**	125.7
Fair value of Convertible Bond at 31 December	**694.6**	687.3

EFFECTIVE INTEREST RATE

The interest charged for the year is calculated by applying an effective interest rate of 6.8% to the liability component. The total interest charge is split between the coupon interest charge of $58.2m and accreted interest of $29.3m, with both charges recognised in net financing costs in the income statement. The coupon interest is paid semi-annually in March and September with the liability recognised in accrued interest (note 20). Similarly, the bonds accrete semi-annually in March and September with the liability recognised in borrowings.

The Directors consider the carrying value of borrowings, other than the Senior Notes, Convertible Bonds and the Ex-Im Bank 2011 Facility to approximate to their fair value (see note 31). The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2018	2017
Bank overdrafts	**7.5%**	6.5%
Senior Notes due 2022	**5.1%**	4.9%
Senior Notes due 2024	**6.7%**	6.5%
Ex-Im Bank 2011 Facility	**4.4%**	3.1%
Ex-Im Bank 2014 Facility	**3.7%**	3.6%
Deferred satellite payments	**1.7%**	3.0%
Convertible Bonds due 2023	**6.8%**	6.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Reconciliation of movements in liabilities to cash flows arising from financing activities:

($ in millions)	At 31 December 2016	Drawdowns and repayments	Cash flows	Transfers[1]	Interest expense	Arrangement cost amortisation	Movement in Fair Value	Other cash movements	At 31 December 2017
Short-term borrowings	103.8	(80.8)	(3.1)	105.1	3.2	–	–	(2.6)	125.6
Long-term borrowings	1,906.5	78.4	(92.0)	(105.1)	90.7	6.4	–	–	1,884.9
Convertible Bond[2]	674.9	–	(25.1)	–	37.5	1.1	(7.7)	–	680.7
Total liabilities from financing activities	2,685.2	(2.4)	(120.2)	–	131.4	7.5	(7.7)	(2.6)	2,691.2

($ in millions)	At 31 December 2017	Drawdowns and repayments	Cash flows	Transfers[1]	Interest expense	Arrangement cost amortisation	Movement in Fair Value	Other cash movements	**At 31 December 2018**
Short-term borrowings	125.6	(122.2)	(3.5)	122.2	3.4	–	–	(2.3)	**123.2**
Long-term borrowings	1,884.9	–	(87.6)	(122.2)	87.1	11.3	–	(0.6)	**1,772.9**
Convertible Bond[2]	680.7	–	(25.3)	–	38.4	1.2	23.2	–	**718.2**
Total liabilities from financing activities	2,691.2	(122.2)	(116.4)	–	128.9	12.5	23.2	(2.9)	**2,614.3**

1 Transfers comprise debt maturing from long-term to short-term borrowings
2 Includes derivative liability component

21. TRADE AND OTHER PAYABLES

($ in millions)	**At 31 December 2018**	At 31 December 2017 (restated)
Current:		
Trade payables	**134.6**	210.5
Other taxation and social security payables	**6.3**	6.2
Other payables	**5.1**	4.5
Accruals	**95.1**	117.4
Deferred income[1]	**304.3**	295.8
Total trade and other payables	**545.4**	634.4
Non-current:		
Other payables	**2.5**	7.5
Defined benefit pension and post-employment liability	**11.4**	17.5
Total other payables	**13.9**	25.0

1 The deferred income balance includes $206.7m (2017: $206.8m) relating to payments received from Ligado Networks. During the current financial year, $0.1m (2017: $2.0m) of these payments were released to the income statement

The Directors consider the carrying value of trade and other payables to approximate to their fair value.

DEFERRED INCOME

Deferred income represents obligations to transfer goods or services to a customer for which the entity has received consideration and is therefore considered a contract liability. The group has recognised the following movements in deferred income throughout the year

($ in millions)	**2018**	2017
At January	**295.8**	285.7
Contract liability raised in the year	**297.8**	289.6
Contract liability utilised in the year	**(289.3)**	(279.5)
At December	**304.3**	295.8

22. PROVISIONS

Movements in the current portion of the Group's provisions were as follows:

($ in millions)	Current provisions	Non-current provisions	Total
At 1 January 2017	1.9	2.8	4.7
Charged in respect of current year	21.8	6.9	28.7
Utilised in current year	(7.5)	–	(7.5)
At 31 December 2017	16.2	9.7	25.9
Charged in respect of current year	**10.1**	**2.0**	**12.1**
Utilised in current year	**(12.0)**	**(0.6)**	**(12.6)**
At 31 December 2018	**14.3**	**11.1**	**25.4**

The Group's current provisions mainly consist of a $7.4m (2017: nil) contract obligation and a $5.1m (2017: $16.0m) restructuring provision. The associated cash flows in respect of both provisions outstanding at 31 December 2018 are expected to occur within one year.

23. CURRENT AND DEFERRED TAXATION

The current tax asset of $4.6m and current tax liability of $168.5m (2017: $13.8m and $130.2m, respectively), represent the tax payable in respect of current and prior periods less amounts paid.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) for the year are shown below:

	At 31 December 2018			At 31 December 2017 (restated)[1]		
($ in millions)	**Assets**	**Liabilities**	**Net**	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**(35.1)**	**222.8**	**187.7**	(25.8)	230.9	205.1
Borrowing costs capitalised in the cost of qualifying assets	**–**	**44.2**	**44.2**	–	27.8	27.8
Other	**(9.9)**	**0.9**	**(9.0)**	(11.4)	2.5	(8.9)
Pension and post-employment benefits	**–**	**3.6**	**3.6**	(0.2)	1.1	0.9
Share options	**(3.8)**	**–**	**(3.8)**	(1.5)	–	(1.5)
Tax losses	**(25.8)**	**–**	**(25.8)**	(20.4)	–	(20.4)
Net deferred tax liabilities	**(74.6)**	**271.5**	**196.9**	(59.3)	262.3	203.0

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The value of deferred income tax assets and liabilities included in the net deferred income tax balance is shown below:

($ in millions)	**At 31 December 2018**	At 31 December 2017 (restated)[1]
Deferred tax assets	**(52.5)**	(35.4)
Deferred tax liabilities	**249.4**	238.4
Net deferred tax liabilities	**196.9**	203.0

1 Comparatives have been restated as a result of initial application of IFRS 15 and the change in accounting policy for unallocated launch slots discussed in note 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Movement in temporary differences during the year:

($ in millions)	At 1 January 2018	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2018
Property, plant and equipment and intangible assets	205.1	(17.4)	–	–	187.7
Borrowing costs capitalised in the cost of qualifying assets	27.8	16.4	–	–	44.2
Other	(8.9)	(0.1)	–	–	(9.0)
Pension and post-employment benefits	0.9	(0.1)	(0.3)	3.1	3.6
Share-based payments	(1.5)	(1.3)	(1.0)	–	(3.8)
Tax losses	(20.4)	(5.4)	–	–	(25.8)
Total	203.0	(7.9)	(1.3)	3.1	196.9

($ in millions)	At 1 January 2017	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2017 (restated)
Property, plant and equipment and intangible assets	165.7	39.4	–	–	205.1
Borrowing costs capitalised in the cost of qualifying assets	33.7	(5.9)	–	–	27.8
Other	(9.2)	0.3	–	–	(8.9)
Pension and post-employment benefits	(2.0)	0.6	–	2.3	0.9
Share-based payments	(3.8)	2.1	0.2	–	(1.5)
Tax losses	(15.4)	(5.0)	–		(20.4)
Total	169.0	31.5	0.2	2.3	203.0

Total unprovided deferred tax assets:

($ in millions)	At 31 December 2018	At 31 December 2017
Unused income tax losses	(3.3)	(2.4)
Unused capital losses	(17.7)	(23.0)
Total	(21.0)	(25.4)

Deferred tax assets are recognised to the extent there is probable utilisation of the underlying temporary difference using existing tax laws and forecasts of future taxable profits based on Board-approved business plan forecasts.

Unprovided deferred tax assets in respect of unused income tax losses of $13.2m (2017: $9.1m) include $6.9m of losses that will expire if not used within 5 years, $1.4m of losses that will expire if not used within 20 years and $4.8m of losses with no expiry date. The unused capital losses of $104.1m (2017: $121.0m) have no expiry date.

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised gross temporary difference in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is $nil (2017: $nil), resulting in a deferred tax liability of $nil (2017: $nil).

The unrecognised gross temporary difference in respect of the investments in associates is $1.7m (2017: $1.4m), resulting in an unrecognised deferred tax liability of $0.5m (2017: $0.4m).

The Budget announced by the Chancellor on 16 March 2016 included changes to the main rates of corporation tax for UK companies. The standard rate of corporation tax reduced to 19% with effect from 1 April 2017, and there will be a further reduction to 17% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of the forecast impact of the reduction of the corporation tax rate from 20% to the substantively enacted rate of 17%.

On 22 December 2017 the US President signed the Tax Cuts and Jobs Act, which included changes to the Federal tax rate. The Federal tax rate reduced from 35% to 21% with effect from 1 January 2018. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of this reduction of the Federal tax rate.

24. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to cash generated from operations:

($ in millions)	2018	2017 (restated)
Profit for the year	**125.0**	185.0
Adjustments for:		
Taxation charge	**42.9**	48.8
Financing costs	**105.8**	105.9
Financing income	**(8.2)**	(7.8)
Change in fair value of derivative	**23.2**	(7.7)
Operating profit	**288.7**	324.2
Depreciation and amortisation	**468.3**	411.8
Impairment loss	**14.5**	–
Loss on disposal of assets	**2.5**	7.3
Share of profit of associates	**(3.9)**	(4.0)
EBITDA	**770.1**	739.3
Dividends received from associates	**1.3**	2.1
Non-cash employee benefit costs	**9.8**	16.2
Non-cash foreign exchange movements	**(6.2)**	1.5
Changes in net working capital:		
Increase in restricted cash[1]	**0.3**	–
(Increase)/decrease in trade and other receivables	**(56.1)**	(38.3)
Decrease/(Increase) in inventories	**(16.8)**	0.4
Increase/(decrease) in trade and other payables	**10.8**	54.0
Increase in provisions	**0.2**	14.6
Cash generated from operations	**713.4**	789.8

1 At 31 December 2018, the Group had $2.5m (2017: $2.8m) of restricted cash on the balance sheet, the majority of which are funds held in escrow in relation to the disposal of SkyWave

25. SHARE CAPITAL

($ in millions)	At 31 December 2018	At 31 December 2017
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2017: 1,166,610,560)	**0.7**	0.7
	0.7	0.7
Allotted, issued and fully paid:		
462,617,429 ordinary shares of €0.0005 each (2017: 457,659,212)	**0.3**	0.3
	0.3	0.3

During the year ended 31 December 2018, a total of 897,621 (2017: 1,005,403) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes. In addition, 3,015,936 ordinary shares and 1,044,660 ordinary shares (2017: 2,973.025 and 1,617,973) of €0.0005 each were allotted and issued by the Company as part of the final 2017 and interim 2018 scrip dividend offering respectively. No shares were repurchased during 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. EMPLOYEE SHARE OPTIONS AND AWARDS

The Group operates a number of share plans used to award options and shares to Directors and employees as part of their remuneration packages. In 2014, the Inmarsat plc Executive Share Plan ('ESP') was approved by shareholders and replaced the previous Executive Share Plans. Share awards since May 2014 have been made in accordance with the new share plan rules. Under the ESP, the Company can grant Bonus Share Awards ('BSA') and Performance Share Awards ('PSA'). The costs of these awards are recognised in the income statement (see note 7) based on the fair value of the awards on the grant date. Further information on how these are calculated can be found on the next page and under 'Employee benefits' in the principal accounting policies on page 125.

INMARSAT EMPLOYEES' SHARE OWNERSHIP PLAN TRUST

Under the legacy Staff Value Participation Plan (the '2004 Plan'), shares were transferred to the Inmarsat Employees' Share Ownership Plan Trust (the 'Trust') (resident in Jersey). These options have now vested and expired, but some remaining shares are still held by the Trust and can be used to satisfy vesting under other existing share plans.

A summary of all share activity within the Trust as at 31 December 2018, is as follows:

($ in millions)	Shares available for grant
Balance at 1 January 2018	77,276
Exercised	–
Balance at 31 December 2018	**77,276**
Available at 31 December 2018	**77,276**

BONUS SHARE AWARD

Awards have been made regularly under the BSA to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the Remuneration report on pages 81–101.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSA are non-market-based performance conditions. Any dividends paid by the Company will accrue and be added as additional shares upon vesting.

Under the rules of the BSA, the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is, however, the intention to generally satisfy the awards using newly-issued shares.

As the BSA provides non-contributory share awards that have an entitlement to dividends and no market-based performance conditions attached, the fair value of the awards is the value of the grant. This is due to the fact that regardless of the market price at the time the award of shares is made, the total value of shares to be awarded (excluding shares added in lieu of dividends) will not increase, although may decrease subject to performance conditions not being achieved, and/or discretion by the Remuneration Committee being exercised.

PERFORMANCE SHARE AWARD

The PSA makes regular annual awards to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the Remuneration Report. Participants are entitled to receive the value of any dividends that are paid between the date of award and the date of vesting in the form of additional shares. Any such additional shares are only added to the number of shares which will vest subject to performance conditions being satisfied.

The PSA shares will not ordinarily be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSA provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is, however, the intention to satisfy the awards using newly-issued shares at the end of the relevant three-year period. Executive Directors are required, for the PSA award made in 2017 onwards, to hold a net number of shares after deduction of tax for a further two-year period after the expiry of the three-year performance period.

The performance conditions for the Executive Directors for the PSA have been based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 50-150 (excluding investment trusts), and on EBITDA growth measured over a three-year period. The vesting schedule is structured so that 30% of the reward is linked to the performance of TSR for Executive Directors (for any participants below Executive Director level this is linked to revenue growth over the three-year period of the awards), 30% is linked to EBITDA and 40% is linked to strategic objectives set out prior to the grant date of the scheme. The market-based performance condition has been incorporated into the fair value. The proposed new Remuneration Policy has new performance measures to be used for the 2019 PSA awards which will be made to the Executive Directors.

A Stochastic model has been used to value the TSR element attached to 30% of the Executive Directors' awards, for all other elements a Black-Scholes model has been used. The fair values and the assumptions used in the calculation of PSA awards vesting or due to vest in 2019 or after are presented in the table below. Volatility has been calculated taking account of the historical return index (the share price plus dividends reinvested) over a period commensurate with the reminder of the performance period at grant.

	Performance Share Awards		
Grant date	**12 March 2018**	22 March 2017	23 March 2016
Grant price	**£4.33**	£7.62	£9.30
Market price at date of grant	**£4.10**	£7.63	£9.43
Exercise price	**nil**	nil	nil
Bad leaver rate	**12%**	12%	12%
Vesting period	**3 years**	3 years	3 years
Volatility	**33.1%**	28.6%	22.5%
Fair value per share option (Executive Director level)	**£1.64**	£4.43	£4.39
Fair value per share option (below Executive Director level)	**£4.10**	£7.63	£9.43

Both the BSA and PSA share awards expire 10 years after date of grant or such shorter period as the Remuneration Committee may determine before the grant of an award. For share awards outstanding at the period end the weighted average of the remaining contractual life for the BSA and PSA share awards at 31 December 2018 is 1.6 and 1.5 years, respectively.

UK SHARESAVE SCHEME AND INTERNATIONAL SHARESAVE PLAN

The UK Sharesave Scheme is an approved HM Revenue and Customs scheme. A grant made in May 2018 with an option price of £3.01 (reflecting the maximum discount permitted of 20%) will mature in July 2021. A grant made in June 2017 with an option price of £6.04 (reflecting the maximum discount permitted of 20%) will mature in August 2020.

The International Sharesave Plan mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants are given either the opportunity to receive options in the same way as the UK Sharesave Scheme, or the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares, some of which are held by the Trust and some of which will be newly-issued. A grant made in May 2018 with an option price of £3.01 (reflecting the maximum discount permitted of 20%) will mature in August 2021. A grant made in June 2017 with an option price of £6.04 (reflecting the maximum discount permitted of 20%) will mature in August 2020.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2018 is 2.4 and 2.2 years respectively for each plan.

EMPLOYEE STOCK PURCHASE PLAN

The Employee Stock Purchase Plan ('ESPP') is for U.S. and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated from monthly contributions. A grant made under the scheme in December 2015 with an option price of £9.22 (reflecting the maximum discount permitted of 15%) matured in March 2018. A grant made under the scheme in June 2017 with an option price of £7.16 (reflecting the maximum discount permitted of 15%) will mature in July 2019. A grant made under the scheme in May 2018 with an option price of £3.03 (reflecting the maximum discount permitted of 15%) will mature in June 2020. The weighted average of the remaining contractual life for the ESPP schemes as at 31 December 2018 is 1.4 years.

Options under the UK Sharesave Scheme, International Sharesave Plan and ESPP have been valued with a Black-Scholes model using the following assumptions:

Grant date	**Sharesave Scheme (UK and International) 30 May 2018**	Sharesave Scheme (UK and International) 6 June 2017	Sharesave Scheme (UK and International) 30 June 2016	**ESPP 30 May 2018**	ESPP 6 June 2017
Market price at date of grant	**£3.63**	£8.43	£8.05	**£3.63**	£8.43
Exercise price	**£3.01**	£6.04	£5.68	**£3.03**	£7.16
Bad leaver rate	**3% pa**	3% pa	3% pa	**3% pa**	3% pa
Vesting period	**36 months**	36 months	36 months	**25 months**	25 months
Volatility	**32.7%**	27.9%	24.6%	**35.7%**	32.7%
Dividend yield assumption	**6.8%**	5.1%	4.5%	**6.8%**	5.0%
Risk-free interest rate	**0.7%**	0.1%	0.1%	**0.6%**	0.1%
Fair value per option	**£0.66**	£1.93	£1.85	**£0.68**	£1.61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

UK SHARE INCENTIVE PLAN

The UK Share Incentive Plan ('SIP') has made several awards and is an approved HM Revenue and Customs scheme. The last award was made in 2010 and as the SIP holding period has passed, the shares can be transferred to participants at any time free of tax.

A summary of share awards activity as at 31 December 2018 is as follows:

	SIP (UK)	BSA	PSA	Total
Balance at 1 January 2018	185,941	2,813,188	1,479,323	4,478,452
Granted/allocated	–	2,260,801	1,058,347	3,319,148
Forfeited/lapsed	–	(311,087)	(423,705)	(734,792)
Exercised/sold/transferred	(27,298)	(748,608)	(149,013)	(924,919)
Balance at 31 December 2018	**158,643**	**4,014,294**	**1,964,952**	**6,137,889**
Available at 31 December 2018	**158,643**	**–**	**–**	**158,643**
Exercise price per share	n/a	nil	nil	

A summary of share option activity as at 31 December 2018 and the weighted average exercise price per award is as follows:

	Sharesave (UK)	Weighted average exercise price	Sharesave (International)	Weighted average exercise price	ESPP	Weighted average exercise price	Total
Balance at 1 January 2018	905,856	£5.86	708,730	£5.86	105,347	£8.11	1,719,933
Granted/allocated	1,824,319	£3.01	1,332,687	£3.01	202,845	£3.09	3,359,851
Forfeited/lapsed	(886,896)	£5.60	(563,125)	£5.83	(102,951)	£7.65	(1,552,972)
Exercised	–	–	–	–	–	–	–
Balance at 31 December 2018	**1,843,279**	**£3.16**	**1,478,292**	**£3.30**	**205,241**	**£3.38**	**3,526,812**
Exercisable at 31 December 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**

27. RESERVES

Cash flow hedge reserve:

($ in millions)	2018	2017
Balance at 1 January	**(7.7)**	(23.3)
Loss recognised on cash flow hedges:		
Forward exchange contracts	**(5.2)**	14.1
Losses on cash flow hedges capitalised to Tangible Assets:		
Forward exchange contracts	**8.9**	1.5
Balance at 31 December	**(4.0)**	(7.7)

There are no gains and losses reclassified from equity included within the income statement for the period ended 31 December 2018 (2017: nil). Gains and losses relating to the effective portion of cash flow hedges are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. When a hedged item is recognised in the income statement the cumulative deferred gain or loss accumulated in other comprehensive income and the cash flow hedge reserve is reclassified to the income statement. When a hedged item is recognised as a non-financial asset or liability in the balance sheet the accumulated gain or loss is removed from the cash flow hedge reserve and included directly in the initial cost of the asset or liability.

28. EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2018 has been calculated based on profit attributable to equity holders for the year 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. The convertible bonds due 2023 could potentially dilute basic earnings per share in the future, however these shares were not included in the calculation of diluted earnings per share because they were anti-dilutive in the period, as the contingent conditions associated to the bond had not been met.

($ in millions)	2018	2017 (restated)
Profit attributable to equity holders of the Company	124.2	184.4
Profit attributable to equity holders for diluted earnings per share	124.2	184.4

(millions)	2018	2017 (restated)
Weighted average number of ordinary shares in issue	460.3	454.8
Potentially dilutive ordinary shares	7.1	5.1
Weighted average number of ordinary shares for diluted earnings per share	467.4	459.9

($ per share)	2018	2017 (restated)
Basic earnings per share	0.27	0.41
Diluted earnings per share	0.27	0.40

Adjusted earnings per share

Adjusted earnings per share for the year ended 31 December 2018 has been calculated based on profit attributable to equity holders adjusted for the impact of the movement 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)	2018	2017 (restated)
Profit attributable to equity holders of the Company	124.2	184.4
Adjustment for:		
(Decrease)/Increase in fair value of conversion of the liability component of 2023 convertible bonds	23.2	(7.7)
Restructuring costs (post-tax)	–	16.1
Adjustable profit attributable to equity holders of the Company	147.4	192.8

(millions)	2018	2017 (restated)
Weighted average number of ordinary shares in issue	460.3	454.8
Potentially dilutive ordinary shares	7.1	5.1
Weighted average number of ordinary shares for diluted earnings per share	467.4	459.9

($ per share)	2018	2017 (restated)
Basic earnings per share	0.32	0.42
Diluted earnings per share	0.32	0.42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. PENSIONS AND POST-EMPLOYMENT BENEFITS

The Group operates pension schemes in each of its principal locations. The Group's pension plans are provided through both defined benefit schemes and defined contribution arrangements.

The Group operates defined benefit pension schemes in the United Kingdom, regulated by the Pensions Regulator, and The Netherlands. The Group's principal defined benefit pension plan is the Inmarsat Global scheme, which is a UK funded scheme with assets held in a separate fund administered by a corporate trustee; the scheme is closed to new employees and the Company closed the defined benefit plan to future accruals during 2018. The trustee is required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension schemes are responsible for the investment policy with regards to the assets of the fund.

The Group is required to ensure that the plan is fully funded where the future liabilities for benefits are covered by the fund's assets. The size of the asset that can be recognised as a result of a pension surplus should not exceed the recoverable amount and is restricted to the asset ceiling per IAS 19.

The Inmarsat Global defined benefit plan was valued using the projected unit credit method with the valuation undertaken by professionally qualified and independent actuaries as at 31 December 2018. The results of the valuation, which have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2018, are set out below. There are no guaranteed minimum pension ('GMP') benefits held under the scheme and there was therefore no impact to the liability as a result of High Court ruling on 26 October 2018.

There have been no plan amendments, curtailments or settlements since the previous year end that we have been made aware of. The plan closed to future DB accrual with effect from 1 April 2017, and a curtailment gain (arising from the break in salary link for active members) was reflected in the 2017 year-end accounting disclosures.

The Group also provides post-employment benefits for some of its employees. The Group's principal scheme is the Inmarsat Global post-retirement healthcare benefit scheme, which is the provision of healthcare to retired employees (and their dependants) who were employed before 1 January 1998. Employees who have 10 years of service at the age of 58 and retire are eligible to participate in the post-retirement healthcare benefit plans. Membership of this plan is multinational, although most staff are currently employed in the UK. The plans are self-funded and there are no plan assets from which the costs are paid. The cost of providing these benefits is actuarially determined and accrued over the service period of the active employee groups. The Group's post-retirement medical liability is capped at CPI plus 1%.

Schemes denominated in local currencies are subject to fluctuations in the exchange rate between US Dollars and local currencies.

The primary risk to which the Inmarsat Global defined benefit plan exposes the Group is the risk arising through a mismatch between the plan's assets and its liabilities. This is primarily made up of a number of strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:

- market risk (the risk that investment returns on assets are lower than assumed in the actuarial valuation, thereby resulting in the funding level being lower than expected)
- interest rate risk (the risk that the assets do not move in line with the value placed on the liabilities in response to changes in interest rates)
- inflation risk (similar to interest rate risk but concerning inflation)
- credit risk (the risk that payments due to corporate bond investors may not be made)
- active management risk (the risk that active managers underperform the markets in which they invest, resulting in lower-than-expected investment returns) and
- currency risk (the risk that currency market movements adversely impact investment returns)

In addition to the investment-related risks, the plan is also subject to the risk that members live longer than expected, or that the financial assumptions used in valuing the liabilities are not borne out in practice. This could lead to unexpected contributions from the Group being required to meet the benefit payments due.

The principal actuarial assumptions used to calculate the Group's pension and post-employment benefits liabilities under IAS 19 are:

	At 31 December 2018	At 31 December 2017
Weighted average actuarial assumptions:		
Discount rate	2.9%	2.6%
Future salary increases	2.4%	2.3%
Medical price inflation	3.2%	3.2%
Future pension increases	2.9%	2.9%

Mortality assumptions have been updated to reflect experience and expected changes in life expectancy. The average life expectancy assumptions for the Company's pension and post-employment benefits liabilities are as follows:

	Life expectancy 2018	Life expectancy 2017
Male current age 65	88.2	88.8
Female current age 65	89.4	90.0

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. For the Inmarsat Global defined benefit pension scheme and the Inmarsat Global post-retirement healthcare benefits for 2018, mortality has been assumed to follow the S2PA tables with -1 year age rating for males and CMI 2017 improvement with a long-term trend of 1.75% pa.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase, mortality and healthcare cost trend rates. The sensitivity analysis below is for the Group's principal pension and post-employment benefits schemes, and has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant.

Inmarsat Global defined benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on projected pension cost increase/ (decrease)
Increase in discount factor of 0.25%	(4.5)	(0.2)
Decrease in discount factor of 0.25%	4.8	0.2
Increase in inflation of 0.25%	4.8	0.2
Decrease in inflation of 0.25%	(4.5)	(0.1)
Mortality: -2 years for males and -1 year for females	3.1	0.1

Inmarsat Global post-retirement healthcare benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on service cost increase/ (decrease)
Increase in discount factor of 0.5%	(0.7)	–
Increase in inflation of 0.5%	0.8	–
Increase in medical price inflation trend rate of 1%	1.6	0.1
Decrease in medical price inflation trend rate of 1%	(1.3)	–

In reality, there is an expectation of inter-relationships between the assumptions, for example, between discount rate and inflation. The above analysis does not take the effect of these inter-relationships into account.

Amounts recognised in the balance sheet are:

($ in millions)	At 31 December 2018	At 31 December 2017
Present value of funded defined benefit obligations (pension)	(96.3)	(126.5)
Present value of unfunded defined benefit obligations (pension)	(0.5)	(0.5)
Present value of unfunded defined benefit obligations (post-employment benefits)	(9.9)	(15.9)
Fair value of defined benefit assets	126.2	143.5
Net defined benefit asset/(liability) recognised in the balance sheet	**19.5**	0.6

The above net liability is recognised in the balance sheet as follows:

($ in millions)	Note	At 31 December 2018	At 31 December 2017
Defined benefit pension asset	18	30.9	18.1
Defined benefit pension and post-employment liability	21	(11.4)	(17.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Analysis of the movement in the present value of the defined benefit obligations is as follows:

($ in millions)	Defined benefit pension plan	Post-employment benefits
At 1 January 2017	136.3	16.7
Current service cost	1.6	0.4
Past service cost[1]	(4.1)	–
Interest cost	3.6	0.5
Remeasurement gains:		
Actuarial gains arising from changes in financial assumptions	(2.6)	(3.3)
Foreign exchange loss	11.3	1.9
Benefits paid	(19.5)	(0.3)
Contributions by pension participants	0.4	–
At 31 December 2017	127.0	15.9
Current service cost	**1.0**	**0.4**
Past service cost[1]	**–**	**–**
Interest cost	**3.1**	**0.4**
Remeasurement gains:		
Actuarial gains arising from changes in demographic assumptions	**(3.8)**	**(5.0)**
Actuarial gains arising from changes in financial assumptions	**(10.0)**	**(0.8)**
Change in experience adjustment	**(6.4)**	**0.1**
Foreign exchange loss	**(6.0)**	**(0.8)**
Benefits paid	**(8.3)**	**(0.3)**
Contributions by pension participants	**0.2**	**–**
At 31 December 2018	**96.8**	**9.9**

Analysis of the movement in the fair value of the assets of the defined benefit pension plans is as follows:

($ in millions)	2018	2017
At 1 January	**143.5**	140.0
Interest income	**3.4**	3.7
Remeasurement gains/(losses):		
Experience return on plan asset (excluding interest income)	**(6.2)**	7.2
Actuarial (loss)/gains arising from changes in financial assumptions	**–**	(0.4)
Contributions by employer	**0.8**	1.0
Contributions by pension participants	**0.2**	0.3
Benefits paid	**(8.1)**	(19.6)
Expenses paid (included in service cost)	**(0.4)**	(0.4)
Foreign exchange gain/(loss)	**(7.0)**	11.7
At 31 December	**126.2**	143.5

1 The Group Defined Benefit Pension Plan closed to further benefit accrual on 31 March 2017 and all former active members have now become deferred members. This curtailment has resulted in a past service credit and decrease to the defined benefit obligation in 2017

Amounts recognised in the income statement in respect of the plans are as follows:

	2018		2017	
($ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	1.4	0.4	2.0	0.4
Past service gain	–	–	(4.1)	0.0
Net interest (income)/expense	(0.3)	0.4	(0.1)	0.5
Foreign exchange (gain)/loss	1.0	(0.8)	(0.4)	1.9
	2.1	–	(2.6)	2.8

Current service cost is included within employee benefit costs (note 7). The net financing costs together with foreign exchange gains and losses are included within interest payable (note 9).

Amounts recognised in the statement of comprehensive income in respect of the plans are as follows:

	2018		2017	
($ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial gains arising from changes in demographic assumptions	(3.8)	(5.0)	–	–
Actuarial gains arising from changes in financial assumptions	(10.0)	(0.8)	(2.2)	(3.3)
Actuarial gains arising from changes in experience adjustment	(6.4)	0.1	–	–
Return on plan asset (excluding interest income)	6.2	–	(7.2)	–
Remeasurement of the net defined benefit asset and liability	(14.0)	(5.7)	(9.4)	(3.3)

The assets held in respect of the Group's defined benefit schemes were as follows:

	At 31 December 2018		At 31 December 2017	
	Value ($ in millions)	Percentage of total plan assets	Value ($ in millions)	Percentage of total plan assets
Equities	10.3	8.2%	30.7	21.4%
Cash	0.4	0.3%	1.4	1.0%
Bonds	87.3	69.2%	80.9	56.4%
Other	28.2	22.3%	30.5	21.2%
Fair value of scheme assets	126.2		143.5	

All of the Plan assets are invested in pooled investment funds. The majority of these are priced daily, but are not quoted market prices. The exceptions to this are certain weekly priced funds (UCITS Alternatives Strategies) and monthly priced funds (High Income UK Property, Liquid Alternative Strategies Alternatives and Multi Asset Credit).

With regards to private debt, the portfolio will be valued on an absolute basis, using the 'best efforts' value on a quarterly basis. Therefore, fund investments are primarily valued based on the market value/capital account statements received from the underlying general partners of the underlying funds. Capital account statements and unaudited financial statements are distributed approximately 90 days after each quarter. The fund also distributes US GAAP audited financials, including capital account statements, for each 31 December fiscal year-end around 30 June of the subsequent year.

The actual allocations to each of the investment funds as at 31 December 2018 are shown in the table below. The investment portfolio seeks to mitigate the investment risks identified above through a combination of asset class diversification, underlying investment manager diversification and the use of currency hedging where appropriate.

The assets are split into two portfolios: the growth portfolio and the matching portfolio. The assets within the growth portfolio are invested so as to achieve an appropriate level of growth above that of the Plan's liabilities, ensuring a sufficiently diversified portfolio of investments provides the Plan with a variety of sources of return, without unduly exposing the Plan to a single type of risk. The assets within the matching portfolio are invested so as to reduce the level of unrewarded risk and ensure the portfolio broadly matches changes in the value of the Plan's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The allocations to each of the investment funds as at 31 December 2018 are as follows:

Fund	Legal structure	Allocation (%)
Global Fundamental (RAFI) Equity	Mercer QIF CCF	1.8
Global Low Volatility Equity	MGI Funds PLC	1.0
Global Small Cap Equity	MGI Funds PLC	1.6
Sustainable Equity	MGI Funds PLC	1.3
Global Listed Infrastructure Equity	MGI Funds PLC	0.5
Eurozone Equity	MGI Funds PLC	0.2
Emerging Markets Equity	MGI Funds PLC	2.4
Emerging Markets Debt	MGI Funds PLC	2.0
Global High Yield Bonds	MGI Funds PLC	0.2
Multi Asset Credit	Mercer QIF Fund PLC	1.6
Absolute Return Fixed Income	MGI Funds PLC	0.8
Liquid Alternatives Strategies	Mercer QIF Fund PLC	9.3
Mercer UCITS Alternatives Strategies	MGI Funds PLC	1.7
High Income UK Property	Mercer QIF CCF	3.0
Private Debt	Mercer Private Investment Partners (Offshore), LP	2.1
Total Growth Portfolio		**29.5**
UK Credit	Mercer PIF Fund PLC	14.2
Tailored Credit Fund	Mercer QIF Fund PLC	7.6
UK Long Gilt Fund	MGI Funds PLC	6.0
Inflation Linked Bonds	MGI Funds PLC	6.9
Nominal LDI Bond Fund	Mercer PIF Fund plc	3.5
Medium Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	6.5
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	0.7
Short Flexible Enhanced Matching Inflation	Mercer QIF Fund PLC	6.8
Short Flexible Enhanced Matching Real	Mercer QIF Fund PLC	5.0
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	5.1
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	8.2
Total Matching Portfolio		**70.5**
Total Assets		**100.0**

The investment portfolio seeks to mitigate the investment risks identified above through a combination of asset class diversification, underlying investment manager diversification and the use of currency hedging where appropriate. The assets are split into two portfolios, the growth portfolio and the matching portfolio.

The assets within the growth portfolio are invested so as to achieve an appropriate level of growth above that of the plan's liabilities, ensuring a sufficiently diversified portfolio of investments provides the plan with a variety of sources of return, without unduly exposing the plan to a single type of risk.

The assets within the matching portfolio are invested so as to minimise the level of unrewarded risk and ensure the portfolio broadly matches changes in the value of the plan's liabilities. This is achieved by investing in a range of pooled investment funds as outlined in the table above, with the allocation to each fund determined by a combination of the following: the nature of the plan's liability structure, the target level of hedging deemed appropriate to reflect the Trustee's risk tolerance and a 'fair value' assessment of market levels. Some of these funds achieve their objectives by utilising a range of bond or bond type instruments, resulting in leveraged exposure which enables the plan to match a greater proportion of its liabilities than would be possible by only holding physical securities.

Instruments utilised within the funds include fixed interest gilts, index-linked gilts, corporate bonds, gilt repos, interest rate swaps, inflation swaps and total return swaps.

The plan does not hold any direct investments in the Group; however, due to the pooled nature of the investment funds, there may be some indirect investment.

The duration of the defined benefit liabilities within the Inmarsat Global defined benefit plan is approximately 21 years. The defined benefit obligation as at December 2018 is split as follows:

Active members	0% (following the closure of the plan to future accrual effective 1 April 2017, all former active members have become deferred members)
Deferred members	81%
Pensioner members	19%

The average age of the deferred and pensioner members at the date of the last statutory funding valuation for the Inmarsat Global defined benefit plan (31 December 2018) was 56 years and 69 years, respectively.

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2019 are $0.5m. In 2018 actual contributions under this plan were $nil (2017: $0.2m).

30. OPERATING LEASES

During the year the Group received income from various agreements deriving revenue from leased equipment. These amounts are recorded as revenue on a straight-line basis over the respective lease terms and represent the majority of the Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received.

($ in millions)	At 31 December 2018	At 31 December 2017
Within one year	20.0	28.7
Within two to five years	33.5	18.7
	53.5	47.4

31. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

($ in millions)	At 31 December 2018	At 31 December 2017 (restated)
As per balance sheet		
Cash and cash equivalents	(143.2)	(144.9)
Short-term deposits greater than three months	(145.7)	(342.0)
Borrowings[1]	2,465.5	2,565.5
Net borrowings	2,176.6	2,078.6
Equity attributable to shareholders of the parent	1,336.0	1,247.5
Capital	3,512.6	3,326.1

1 This excludes the conversion liability on the convertible bond of $148.8m and lease obligations of $71.0m at 31 December 2018

The Group's objective when managing its capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group uses a maximum ratio of net borrowings to EBITDA as an internal planning parameter and in regular forecasting and monitoring activities. In addition, movements in cash and borrowings as well as total available liquidity are monitored regularly.

The net borrowings to EBITDA ratio for the year ended 31 December 2018 is 2.8 (2017: 2.8). The Group's liquidity is disclosed in note 3(d). No changes were made in the Group's objectives, policies or processes for managing capital during the current or preceding year.

32. FINANCIAL INSTRUMENTS

TREASURY MANAGEMENT AND STRATEGY

The Group's treasury activities are managed by its treasury department which reports into the Chief Financial Officer. The treasury department operations are bound by the Board-approved treasury policy and related treasury operating manual. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due
- maintaining adequate undrawn borrowing facilities and
- maximising return on short-term investments based on counterparty limits and credit ratings

Treasury activities are only transacted with counterparties who are on the approved counterparty list approved by the Board.

The Group's foreign exchange policy is not to hedge its 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 and must be approved by the Chief Financial Officer prior to any hedge being undertaken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FINANCIAL INSTRUMENTS BY CATEGORY

The following table sets out the categorisation of financial assets and liabilities under IFRS 9:

($ in millions)	At 31 December 2018 Amortised cost	At 31 December 2018 Fair value through profit and loss	At 31 December 2018 Derivatives used for hedging	At 31 December 2018 Total	At 31 December 2017 Amortised cost	At 31 December 2017 Fair value through profit and loss	At 31 December 2017 Derivatives used for hedging	At 31 December 2017 Total
Assets as per balance sheet								
Trade receivables and other[1]	337.7	–	–	337.7	275.3	–	–	275.3
Cash and cash equivalents	–	143.2	–	143.2	–	144.9	–	144.9
Short-term deposits	–	145.7	–	145.7	–	342.0	–	342.0
Derivative financial instruments	–	–	0.3	0.3	–	–	1.5	1.5
	337.7	288.9	0.3	626.9	275.3	486.9	1.5	763.7

1 Consists of trade receivables, other receivables and accrued income (see note 18)

($ in millions)	At 31 December 2018 Amortised cost	At 31 December 2018 Fair value through profit and loss	At 31 December 2018 Derivatives used for hedging	At 31 December 2018 Total	At 31 December 2017 Amortised cost	At 31 December 2017 Fair value through profit and loss	At 31 December 2017 Derivatives used for hedging	At 31 December 2017 Total
Liabilities as per balance sheet								
Borrowings	2,465.5	–	–	2,465.5	2,565.5	–	–	2,565.5
Trade payables and other[1]	237.2	–	–	237.2	328.0	–	–	328.0
Derivative financial instruments	–	148.8	4.0	152.8	–	125.7	10.0	135.7
	2,702.7	148.8	4.0	2,855.5	2,893.5	125.7	10.0	3,029.2

1 Consists of trade payables, other payables and accruals (see note 21)

The table below analyses the Group's financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

($ in millions)	At 31 December 2018 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	254.4	251.1	1556.2	1,001.1	3062.8
Trade payables and other	234.8	0.3	0.6	1.5	237.2
Derivative financial instruments	2.4	1.5	148.9	0.0	152.8
	491.6	252.9	1,705.7	1,002.6	3,452.8

1 Includes interest obligations on the Senior Notes due 2022 and 2024, Ex-Im Bank Facilities and Convertible Bonds. The interest obligations on those borrowings are at fixed rates for the term of the borrowing

($ in millions)	At 31 December 2017 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	260.2	254.4	1,694.0	1,188.5	3,397.1
Trade payables and other	321.3	1.7	3.5	1.5	328.0
Derivative financial instruments	7.9	1.9	0.2	125.7	135.7
	589.4	258.0	1,697.7	1,315.7	3,860.8

1 Includes interest obligations on the Senior Notes due 2022 and 2024, Ex-Im Bank Facilities and Convertible Bonds. The interest obligations on those borrowings are at fixed rates for the term of the borrowing

FAIR VALUES OF DERIVATIVE 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.

Derivative financial instruments are initially measured at fair value (see further below) on the contract date and are re-measured at each reporting date. The change in the fair value is accounted for differently depending on whether the instrument qualifies for hedge accounting (eg where a forward foreign currency transaction is designated as a cash flow hedge) or not (eg undesignated cash flow hedges and the conversion liability component of the 2023 convertible bond).

Under hedge accounting, the change in fair value initially goes through other comprehensive income. At the point hedge accounting is discontinued, ie when the hedging instrument expires, is exercised or no longer qualifies for hedge accounting, the amounts sitting in other comprehensive income are recycled to the income statement or, where appropriate, capitalised to the balance sheet. Where hedge accounting does not apply, the change in fair value is included in net financing costs in the income statement.

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
Forward foreign currency contracts – undesignated	**–**	–
Total derivative financial assets	**0.3**	1.5
Current portion of derivative financial assets	**0.3**	1.2
Non-current portion of derivative financial assets	**–**	0.3
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	**0.6**	0.1
Total derivative financial liabilities	**152.8**	135.7
Current portion of derivative financial liabilities	**2.4**	7.9
Non-current portion of derivative financial liabilities	**150.4**	127.8

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

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 fair value of the conversion liability component of the Convertible Bonds due 2023 is determined as the difference between the market value of the Convertible Bond and the fair value of a comparable, non-convertible bond, known as a debt host contract. Both are classified as level 2 in the fair value hierarchy according to IFRS 13.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, ie 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.

FORWARD FOREIGN EXCHANGE

The following tables set out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2018 and 2017:

	At 31 December 2018				
Outstanding forward foreign exchange contracts (in millions)	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 Years**	**Fair value (US$)**
GBP contracts- USD:GBP[1] 1:0.73	**£24.0**	**£20.1**	**£3.3**	**£0.6**	**(1.8)**
CAD contracts- USD:CAD[1] 1:1.30	**CAD 12.0**	**CAD 9.0**	**CAD 3.0**	**CAD 0.0**	**(0.3)**

1 Weighted Average Foreign Exchange Rate

	At 31 December 2017				
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 Years	Fair value (US$)
GBP contracts- USD:GBP[1] 1:0.70	£105.2	£87.6	£13.7	£3.8	(9.0)
CAD contracts- USD:CAD[1] 1:1.30	CAD 30.9	CAD 20.1	CAD 7.8	CAD 3.0	0.9

1 Weighted Average Foreign Exchange Rate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The Group has entered into contracts to build the I-6 satellite. The Group has entered into forward foreign exchange contracts (for terms equivalent to when the milestone payments fall due) to hedge the exchange rate risk arising from these anticipated milestone payments, which are designated as cash flow hedges.

As at 31 December 2018, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these payments is $4.0m. The milestone payments will take place at irregular periods throughout each year until 2021, at which time the related cash flow hedges deferred in equity will be transferred and included in the initial carrying value of the hedged non-financial assets.

Hedge ineffectiveness can arise from changes in both the creditworthiness of counterparties hedged with and the credit risk of the Group. The hedge ineffectiveness for 2018 was less than $0.1m (2017: nil).

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Non-derivative financial assets consist of cash at bank, short-term investments, trade receivables, other receivables and accrued income.

Non-derivative financial liabilities consist of borrowings, trade payables, other payables and accruals.

FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

With the exception of the Senior Notes, the Ex-Im Bank Facilities and the Convertible Bonds, the fair values of all non-derivative financial instruments approximate to the carrying value in the balance sheet. The fair value of Senior Notes, Ex-Im Bank Facilities and Convertible Bonds are classified as level 2 in the fair value hierarchy according to IFRS 13.

The following methods and assumptions have been used to determine fair values:

- the fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (see note 17)
- the fair value of trade and other receivables and payables, accrued income and costs, and deferred consideration approximate their carrying values (see notes 18 and 21 respectively)
- the carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 20)
- the Senior Notes due 2022 are reflected in the balance sheet net of unamortised arrangement costs and net issuance premium of $3.9m and $3.4m, respectively (see note 20). The fair values of the Senior Notes due 2022 are based on the market price of the bonds and are reflected in the next table
- the Senior Notes due 2024 are reflected in the balance sheet net of unamortised arrangement costs of $4.2m (see note 20). The fair values of the Senior Notes due 2024 are based on the market price of the bonds and are reflected in the next table
- the Ex-Im Bank Facilities are reflected in the balance sheet net of unamortised arrangement costs of $6.5m (2017: $14.9m). The fair value of the 2011 facility has been based on the implicit interest rate of the 2014 facility (see note 20) and
- the debt liability component of the Convertible Bonds is reflected in the balance sheet on an amortised cost basis, net of unamortised arrangement costs of $5.4m (2017: $6.6m) (see note 20). The fair value of the Convertible Bonds is based on the market price of the bonds and is reflected in the table below

	At 31 December 2018		At 31 December 2017	
($ in millions)	Carrying amount[1]	Fair value amount	Carrying amount	Fair value amount
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

1 Gross of unamortised arrangement cost

33. CAPITAL AND PURCHASE COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2018 of $492.5m (2017: $968.0m). These amounts primarily represent commitments in respect of the Group's I-6 satellite programmes. The Group has not reported the split between tangible assets and intangible assets for these capital commitments, as the necessary information is not available and the cost to develop it would be excessive.

In addition, the Group has the following purchase commitments, relating to future obligations to purchase space segment capacity:

($ in millions)	At 31 December 2018	At 31 December 2017
Within one year	14.0	24.7
Within two to five years	1.7	11.5
	15.7	36.2

34. CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

In respect of the ongoing legal dispute surrounding the provision of services to RigNet, the Phase I ruling by the Centre for Dispute Resolution's Arbitration tribunal was in favour of the Group. This concluded that the Group is owed $50.8m by RigNet. This is an interim ruling and RigNet is not required to pay until the tribunal's Phase II ruling has taken place towards the end 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.

CONTINGENT LIABILITIES

In the ordinary course of business, the Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage and other sanctions. These matters are inherently difficult to quantify.

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgement.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. At 31 December 2018, the Group had no material contingent liabilities.

35. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date there have been no other significant events which would require disclosure in the 31 December 2018 financial statements.

36. RELATED PARTY TRANSACTIONS

In the normal course of operations the Group engages in transactions with its equity-owned investees Navarino UK and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2018 financial year was $39.7m and $15.6m, respectively (2017: $38.1m and $16.9m, respectively). The amount receivable from the related parties at 31 December 2018 was $17.2m and $1.7m, respectively (2017: $12.6m and $1.7m, respectively).

Amounts owing to the Executive as at 31 December 2018 is $1.4m (2017: $1.2m) and relates to remuneration earned in the normal course of operations (see note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

37. PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2018, the Company had investments in the following subsidiaries and associates:

	Principal activity	Country of incorporation/ registered address key[1]	Interest in issued ordinary share capital at 31 December 2018	Interest in issued ordinary share capital at 31 December 2017
Inmarsat Holdings Limited	Holding company	England and Wales/A	100%	100%
Inmarsat Group Limited	Holding company	England and Wales/A	100%	100%
Inmarsat Finance PLC	Finance company	England and Wales/A	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales/A	100%	100%
Inmarsat Ventures SE	Operating company	England and Wales /A	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales/A	100%	100%
ISAT Global Xpress OOO	Operating company	Russian Federation/X	100%	100%
Inmarsat Brasil Eireli	Dormant	Brazil/H	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales/A	100%	100%
Inmarsat New Zealand Limited	Operating company	New Zealand/U	100%	100%
Inmarsat Services Limited	Operating company	England and Wales/A	100%	100%
PT ISAT	Operating company	Indonesia/Q	100%	100%
Inmarsat Communications Company LLC	Operating company	United Arab Emirates/AC	49%	49%
Inmarsat Group Holdings Inc.	Operating company	United States/C	100%	100%
ISAT US Inc.	Operating company	United States/C	100%	100%
Inmarsat Government Inc.	Operating company	United States/D	100%	100%
Stratos Government Services Inc.	Operating company	United States/D	100%	100%
Inmarsat Commercial Services Inc.	Operating company	United States/D	100%	100%
Inmarsat Solutions (US) Inc.	Operating company	United States/D	100%	100%
Inmarsat Inc.	Holding company	United States/D	100%	100%
Inmarsat US Investments Limited	Dormant	England and Wales/A	100%	100%
Europasat Limited	Operating company	England and Wales/A	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey/T	100%	100%
Inmarsat Trustee Company Limited	Dormant	England and Wales/A	100%	100%
Inmarsat Finance III Limited	Operating company	England and Wales/A	100%	100%
Inmarsat Solutions Limited	Holding company	England and Wales/A	100%	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada/B	100%	100%
Stratos Holdings (Cyprus) Limited	Holding company	Cyprus/K	100%	100%
Inmarsat Germany (GmBH)	Operating company	Germany/L	100%	100%
Stratos Global Japan KK	Holding company	Japan/S	100%	100%
Stratos Investments BV	Holding company	The Netherlands/V	100%	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands/V	100%	100%
Inmarsat Solutions SA (PTY) Limited	Operating company	South Africa/Z	90%	90%
Inmarsat Spain S.A.	Operating company	Spain/AA	100%	100%
Inmarsat Hong Kong Limited	Operating company	Hong Kong/N	100%	100%
Inmarsat (IP) Company Limited	Dormant	England and Wales/A	100%	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece/M	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales/A	100%	100%
Inmarsat Global Xpress Limited	Operating company	England and Wales/A	100%	100%
Inmarsat SA	Operating company	Switzerland/AB	100%	100%
Inmarsat Solutions Global Limited	Operating company	England and Wales/A	100%	100%
Inmarsat Solutions AS	Operating company	Norway/W	100%	100%
Inmarsat Solutions Pte. Limited	Operating company	Singapore/Y	100%	100%
Inmarsat Solutions ehf.	Operating company	Iceland/O	51%	51%
Inmarsat Australia Pty Limited	Operating company	Australia/F	100%	100%
Inmarsat KK	Operating company	Japan/S	100%	100%
Inmarsat Solutions (Shanghai) Co. Limited	Operating company	China/J	100%	100%
Inmarsat India Private Limited	Operating company	India/P	100%	100%
Inmarsat Licences (Canada) Inc.	Holding company	Canada/B	100%	100%
Flysurfer Colombia S.A.S.	Operating company	Columbia/I	100%	100%
Flysurfer Peru S.A.C.	Operating company	Peru/R	100%	100%
Inmarsat New Ventures Limited	Operating company	England and Wales/A	100%	–
Flysurfer-Ecuador S.A.	Operating company	Ecuador/AE	100%	–
Inmarsat Satellite Services S.R.L.	Operating company	Romania/AF	100%	–
Inmarsat BH d.o.o.	Operating company	Bosnia and Herzegovina/AG	100%	–
Inmarsat Solutions doo Beograd	Operating company	Serbia/AH	100%	–
Inmarsat DOOEL Skopje	Operating company	Macedonia/E	100%	–
Navarino UK Limited	Associate	England and Wales/AD	49%	49%
JSAT Mobile Communications Inc.	Associate	Japan/G	26.67%	26.67%

1 For the list of registered addresses please refer to the next table

In accordance with s479A of the Companies Act 2006, the following companies are exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2018: Inmarsat Trustee Company Limited (03688399), Inmarsat (IP) Company Limited (03930467) and Inmarsat US Investments Limited (07100989).

REGISTERED ADDRESS KEY

Key	Registered Address
A	99 City Road, London EC1Y 1AX, United Kingdom
B	34 Glencoe Drive, Box 5754, Donovan's Bus. Park, Mount Pearl Newfoundland A1N 4S8, Canada
C	874 Walker Road, Suite C, City of Dover DE 19904, United States
D	251 Little Falls Drive, Wilmington DE 19808, United States
E	Str. Risto Ravanovski no 13a, Skopje, Republic of Macedonia, Macedonia, the former Yugoslav Republic of
F	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Australia
G	Nisso Building #22 8F, Azabudai1-11-10, Minato-ku, Tokyo 106-0041, Japan
H	Av Presidente Juscelino Kubitschek 50, Suite 172, Room 7, 17th Floor, São Paulo, CEP 04543-000, Brazil
I	Cra. 7 No. 71-52 Tower B 9th Floor, Bogota, DC, Colombia 110231
J	No 20–4 Ronghui Park, Yuhua Road, Area B, Tianzhu Airport Industrial Zone, Shanyi District Beijing, China
K	1, Lampousas, Nicosia, 1095, Cyprus
L	Aarberger Strasse 18, 12205, Berlin, Germany
M	280 Kifisias Avenue, Halandri, 152 32, Greece
N	19 Floor, Milennium trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
O	Hlíðarsmára 10, 201 Kópavogi
P	P-24, Green Park Extension, Delhi. 110016. India
Q	Panbil Residence 1st – 2nd Floor, Jl. Ahmad Yani, Muka Kuning – Batam – 29433, Indonesia
R	Dentons Gallo Barrios Pickmann SCRL, General Córdova N° 313, Miraflores – Lima 18, Perú
S	Level 25 Ark Hills Sengokuyama Mori Tower, 1-9-10, Roppongi, Minato-ku, Tokyo, 106-0032, Japan
T	44 Esplanade, St. Helier, Jersey JE4 9WG, Jersey
U	Bell Gully, Lvl 22, Vero Centre, 48 Shortland Street, Auckland, 1010, New Zealand
V	Loire 158-160, 2491 AL, The Hague, Netherlands
W	NMK – Borgundveien 340, 6009 Ålesund, Norway
X	Bld. 5, 13 Kasatkina Street, 129301, Moscow, Russian Federation
Y	11 Lorong 3 Toa Payoh , #01-31, Jackson Square, 319579, Singapore
Z	Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, Sandton, Johannesburg, Gauteng, South Africa, 2052
AA	Príncipe de Vergara 73, 28006, Madrid, Spain
AB	Route de Crassier 19, 1262, Eysins, Switzerland
AC	Al Maktoum Street, Al Reem Tower, Suite 402, P.O. Box 27313, Dubai, UAE, United Arab Emirates
AD	Camburgh House, 27 New Dover Road, Canterbury, Kent CT1 3DN, United Kingdom
AE	Republica de El Salvador N35-146 y Suecia, Edif. Prisma Norte, Piso 11, Quito, C.P. 170505, Ecuador
AF	22 Tudor Vladimirescu Biv., Building Green Gate Office, Bucharest, 5th Floor 573Campus07, Sector, Bucharest, Romania
AG	Street Skenderpasina 1, Sarajevo, Bosnia and Herzegovina
AH	GTC Avenue 19, 38-40 Vladimira Popovica Street, New Belgrade, Servia, 11070, Serbia

COMPANY BALANCE SHEET

at 31 December 2018

($ in millions)	2018	2017
Assets		
Non-current assets		
Investments[1]	1,561.3	1,111.0
Other receivables[2]	–	438.0
Deferred tax assets	0.3	0.2
	1,561.6	1,549.2
Current assets		
Cash and cash equivalents	5.0	1.8
Trade and other receivables[3]	242.2	19.0
Current tax assets	7.9	10.8
Restricted cash	–	0.4
	255.1	32.0
Total assets	1,816.7	1,581.2
Liabilities		
Current liabilities		
Trade and other payables[4]	46.0	44.2
	46.0	44.2
Non-current liabilities		
Borrowings[5]	569.4	555.0
Derivative financial instruments	148.8	125.7
	718.2	680.7
Total liabilities	764.2	724.9
Net assets	1,052.5	856.3
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	767.8	745.4
Other reserves	110.9	99.6
Retained earnings	173.5	11.0
Total equity	1,052.5	856.3

1 Investments consist of a $1,448.8m investment in Inmarsat Holdings Limited (2017: $1,007.8m) and $112.5m of capital contributions to Group companies in respect of share-based payments (2017: $103.2m)
2 Other receivables consist of $nil amounts due from Group companies (2017: $438.0m)
3 Trade and other receivables consist of $242.1m amounts due from Group companies (2017: $19.0m)
4 Trade and other payables consists of $1.5m due to shareholders in respect of dividends paid during 2018 (2017: $1.4m), accruals of $11.8m (2017: $11.7m), amounts due to Group companies of $33.1m (2017: $30.2m) and other payables of $0.1m (2017: 0.9m)
5 Borrowings comprise the Convertible Bonds discussed in note 20 to the consolidated financial statements

The Company reported a profit for the financial year ended 31 December 2018 of $253.3m (2017: $281.4m).

The financial statements of the Company, registered number 4886072, on pages 162 to 163 were approved by the Board of Directors on 18 March 2019 and signed on its behalf by

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

TONY BATES
CHIEF FINANCIAL OFFICER

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

($ in millions)	Ordinary share capital	Share premium account	Share option reserve	Other reserve[1]	Retained earnings	Total
Balance at 1 January 2017	0.3	700.4	87.9	(2.9)	(19.9)	765.8
Share-based payments	–	–	14.6	–	(0.7)	13.9
Dividends declared	–	–	–	–	(249.8)	(249.8)
Scrip dividend cash reinvestment	–	–	–	–	45.0	45.0
Scrip dividend share issue	–	45.0	–	–	(45.0)	–
Profit for the year	–	–	–	–	281.4	281.4
Balance at 31 December 2017	0.3	745.4	102.5	(2.9)	11.0	856.3
Share-based payments	–	–	11.3	–	1.1	12.4
Dividends declared	–	–	-	–	(91.9)	(91.9)
Scrip dividend cash reinvestment	–	–	–	–	22.4	22.4
Scrip dividend share issue	–	22.4	–	–	(22.4)	–
Profit for the year	–	–	–	–	253.3	253.3
Balance at 31 December 2018	0.3	767.8	113.8	(2.9)	173.5	1,052.5

1 The 'other reserve' relates to ordinary shares held by the employee share trust

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2018

A) PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ('FRC'). Accordingly, the Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, the reconciliation of net cash from operations, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions, share based payments and financial instruments. Where required, equivalent disclosures have been given in the Group accounts of Inmarsat plc.

The accounting policies and financial risk management policies and objectives, where relevant to the Company, are consistent with those of the consolidated Group as set out in notes 2 and 3 to the consolidated financial statements.

B) CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The critical accounting estimates and key judgements, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 4 to the consolidated financial statement.

C) INCOME STATEMENT

The Company has taken advantage of the exemption available under Section 408 of Companies Act 2006 and has not presented an income statement. The profit for the year ended 31 December 2018 was $253.3m (2017: $281.4m).

AUDITOR'S REMUNERATION

During the year, the Company paid its external auditor $0.1m for statutory audit services (2017: $0.1m).

EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The average monthly number of people employed during the year was two (2017: two). Total staff costs for 2018 were $8.2m (2017: $9.2m). Full details of Directors' remuneration and Directors' share options and share awards are given in the Remuneration report.

FOREIGN CURRENCY TRANSLATION

Accounting for foreign currency transactions of the Company is consistent with that of the Group, which is disclosed in note 2 to the consolidated financial statements.

SHARE CAPITAL

The share capital of the Company is disclosed in note 25 to the Group's consolidated financial statements.

D) FINANCIAL INSTRUMENTS

The IFRS 7, 'Financial Instruments' disclosures, where relevant to the Company, are consistent with that of the Group as set out in note 31 to the consolidated financial statements.

The differences between the Group and the Company in relation to intercompany balances are $242.1m (2017: $466.0m) amounts due from Group companies and $33.1m (2017: $30.2m) amounts due to Group companies, which eliminate on consolidation. The Directors consider the carrying value of the intercompany balances to approximate to their fair value. The Group has assessed the intercompany receivables under the IFRS 9 expected credit loss model and no impairment losses have been recognised.

ALTERNATIVE PERFORMANCE MEASURES

The Directors use Alternative Performance Measures (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 within the CFO report.
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 within the CFO report.
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 within the CFO report.
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 5.
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 28 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 within the CFO report.
9. Underlying effective tax rate	The underlying effective tax rate is used to analyse differences from the 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) add prior year adjustments ($8.0m) less revaluation of deferred tax balances ($0.2m) divided by PBT ($167.9m) 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.

1 2018 APMs include the impact of IFRS 16 and therefore may not be directly comparable

GLOSSARY OF TERMS

Due to the technical nature of satellite communications and financial reporting we use a number of terms and abbreviations in this Annual Report and Accounts that are widely used within those industries but are less commonly used by our broader community of stakeholders. The principal ones are summarised below.

A

Active terminal
A terminal that has been used to access commercial services (except certain handheld terminals) at any time during the preceding 12 months and is registered with one of our services at the period end. It includes the average number of certain handheld terminals active on a daily basis during the final month of a period and excludes M2M terminals.

Alphasat
A satellite developed with the European Space Agency and launched in 2013, also known as I-4 F4 in our Inmarsat-4 satellite constellation.

ARPA
Average Revenue Per Aircraft.

ARPU
Average Revenue Per User.

ATC
Ancillary Terrestrial Components provide communications services from ground stations either as stand-alone services or to complement satellite services.

ATG
ATG means the air to ground terrestrial component of the EAN.

B

Bandwidth
The radio spectrum is divided into different bands which each cover a section of frequencies that are usually used for a similar purpose. Bands are allocated to specific uses at international level by the ITU and regulated at a national level by domestic organisations and governments.

BGAN
Broadband Global Area Network is a high-speed data satellite network using L-band frequency that spans the globe.

Business and General Aviation ('BGA')
Business and General Aviation refers to all civil aviation operations other than commercial air transport, covering private jets flying globally and regionally.

C

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

Commissioned terminal
A terminal that is registered with one of our services at the period end.

CAGR
The Compound Annual Growth Rate measures average annual growth over a period of time and is used in the Executive Performance Share Award scheme.

CGU
A cash-generating unit is the smallest group of assets that generates cash inflows largely independently from the other parts of the business and which represents the lowest level at which goodwill is monitored within the business.

The Company
Where we refer to the Company we are referring to Inmarsat plc, the holding company of the Inmarsat Group.

D

Defined benefit and defined contribution schemes
Defined benefit pensions schemes provide post-employment benefits based on an employee's final salary. Defined contribution pension schemes are schemes into which Inmarsat makes fixed contributions based on a percentage of an employee's salary.

Distribution Partner ('DP')
A Distribution Partner is an entity that has a direct relationship with Inmarsat and re-sells Inmarsat's services to an end customer.

E

EAN
Our European Aviation Network ('EAN') comprises an integrated satellite and complementary ground component ('CGC').

F

FleetBroadband ('FB')
Our flagship L-band maritime service providing voice and broadband data services across the world's oceans.

Fleet Xpress ('FX')
Fleet Xpress is Inmarsat's GX-based product for the maritime market using our Ka-band satellites. The FX Service includes a FBL-band back-up service.

G

GAAP
Generally Accepted Accounting Principles is the standard financial reporting framework as defined by a body of accounting standards and other guidance used in a given jurisdiction (see 'IFRS').

Geostationary orbit
A circular geosynchronous orbit directly above the Earth's equator. Satellites in geosynchronous orbit match their orbit to the orbit of the earth and so remain permanently in the same area of the sky.

Global Xpress ('GX')
Services offered by Inmarsat using Inmarsat's Inmarsat-5 satellites and Ka-band frequencies. GlobalXpress is the first high-speed broadband satellite network to span the globe, from a single operator. It uses powerful beams able to reach small antennas on earth providing digital connections for aviation, land and maritime use.

GMDSS
Global Maritime Distress and Safety Service which is a system designed to automate a vessel's radio distress alert, eliminating the need for manual watchkeeping of distress channels. Inmarsat is the only provider currently of this Maritime Safety Service and is approved by the International Maritime Organization ('IMO').

The Group
The Group refers to Inmarsat plc and all of its subsidiaries. We may also use 'we' and 'our' in reference to the Group, depending on the context.

GSPS
Global Satellite Phone Services are our handheld products and services including IsatPhone Pro and IsatPhone 2.

Global Workforce Advisory Panel ('GWAP')
In compliance with new regulations recommended by the Financial Reporting Council within the UK Corporate Governance Code, Inmarsat has created a Global Workforce Advisory Panel which is made up of workforce representatives from across the Company allowing Board members to hear feedback from the workforce.

I

IAS or IFRS
International Accounting Standards or International Financial Reporting Standards are the accounting standards issued by the International Accounting Standards Board. IFRS is also used to refer to international GAAP as a whole.

Industrial Internet of Things ('IIoT')
The Industrial Internet of Things describes the concept of networked, machine-to-machine, data-producing elements that are delivering new levels of insight to businesses across the global production, transportation, logistics and supply chain.

In-Flight Connectivity ('IFC')
In-Flight Connectivity refers to data connectivity and data services provided to commercial airlines, for aircraft passengers to access the internet, use email, social chat and messaging, and for airline crew to access non-critical connected airline operations.

In-Flight Entertainment ('IFE')
In-Flight Entertainment refers to digital entertainment services provided to commercial airlines, for aircraft passengers to use content services on seatback or overheads screens, and increasingly digital services provided over personal devices such as mobile phones and tablets, but not connected to data sources outside the plane.

ICAO
International Civil Aviation Organization.

Inmarsat-3 ('I-3'), Inmarsat-4 ('I-4'), Inmarsat-5 ('I-5'), Inmarsat-6 ('I-6')
The third, fourth, fifth and sixth generations of Inmarsat satellites. Individual satellites in each constellation are numbered F1, F2, F3, etc., so I-5 F2 refers to the second satellite launched in the fifth generation of Inmarsat satellites.

Inmarsat gateway
Our platform for GX delivering customer support, network services and an app store. It also opens up our networks to innovators through a developer portal.

ITU
International Telecommunications Union.

J

Jet ConneX ('JX')
JetConneX is Inmarsat's GX-based product for the business and general aviation market.

K

Ka-band
Downlink frequencies between 18GHz and 22GHz and uplink frequencies between 27GHz and 31GHz. Often referred to as 20/30GHz. This is the frequency band used by our GX satellites, it has higher bandwidth than other bands allowing more data to be transmitted over the same satellite capacity.

Ku-band
Downlink frequencies between 10.7GHz and 12.74GHz and uplink frequencies between 13.75GHz and 14.8GHz. Often referred to as 11/14 or 12/14GHz. This is the frequency band used by a limited number of products and services that we procure from other satellite network operators.

L

L-band
Uplink and downlink frequencies between satellites and mobile users between 1.5GHz and 1.6GHz. This is the frequency band used by our Inmarsat-3 and Inmarsat-4 satellites and also by our planned Inmarsat-6 satellites.

Ligado networks
A Cooperation Agreement between Inmarsat and Ligado Networks (formerly LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc.) for the use of L-band in North America.

M

M2M
Machine-to-machine services and products.

MSS
Mobile Satellite Services.

MBPS
Megabits per second are the units used to measure data transfer rates in the satellite communications industry.

N

Network Operations Centre ('NOC')
The network operations centre is one or more locations from which network monitoring and control, or network management, is exercised over our satellite network.

Network and satellite operations costs
The costs of operating our ground stations.

O

Own work capitalised
Employee-related costs including salary and travel costs incurred in bringing property, plant and equipment into use. Own work capitalised is capitalised as part of the total cost of an asset.

S

SAS
Satellite Access Stations that receives the satellite signal and transfers it via our ground network to terrestrial systems

Safety and Operational Services ('SOS')
Safety and Operational Services refers to connectivity and related services to ensure the safety, operational efficiency and safe navigation of aircraft as well as data services for critical flight operations and pilot communications.

SOS
Safety and Operational Services

S-band
A mobile satellite band between 2 and 2.5GHz, which we are using for a high-speed broadband service under development for the EU aviation industry. The programme has an Inmarsat S-band satellite fully integrated with a ground network. We also use the term S-band to refer to the S-band programme in general.

Scope 1, 2 and 3 emissions
Carbon emissions as defined by the greenhouse gas protocol.

Scope 1: All direct greenhouse gas emissions.

Scope 2: Indirect emissions from purchased electricity, heat or steam.

Scope 3: Other indirect emissions including travel.

SwiftBroadband
A global service providing voice and high-speed data simultaneously through a single installation on an aircraft.

Télécoms Sans Frontières ('TSF')
The telecommunications relief aid organisation is a core beneficiary of our charitable support.

Terminals
The consumer hardware used to receive and transmit voice and data from earth across our satellite network. It includes antenna enabled hardware such as satellite phones and onboard antennas.

V

Vessel monitoring system ('VMS')
A vessel monitoring system is fitted to fishing vessels to track and report the location, course and speed at regular intervals (typically 30 minutes to 1 hour) to fishing regulators.

VMS
Vessel monitoring system.

VSAT
Very Small Aperture Terminals are small mobile two-way satellite antennas able to receive and transmit voice and broadband data to a satellite. VSAT services are typically charged using a fixed monthly fee.

ADDITIONAL INFORMATION

FIVE-YEAR SUMMARY

($ in millions)	2018	2017 (restated)	2016 (restated)	2015[1]	2014[1]
Revenues	**1,465.2**	1,391.7	1,314.1	1,274.1	1,285.9
EBITDA	**770.1**	739.3	785.6	726.0	701.0
EBITDA margin	**52.6%**	53.1%	59.8%	57.0%	54.5%
Profit before tax	**167.9**	233.8	288.4	338.0	342.3
Profit for year	**125.0**	185.0	232.6	282.0	341.1
Net cash inflow from operating activities	**721.7**	775.5	777.8	705.5	644.8
Net cash used in investing activities	**(394.4)**	(562.1)	(814.8)	(460.7)	(424.4)
Net cash used in financing activities	**(331.6)**	(328.6)	122.1	(275.2)	(156.4)
Total assets	**5,027.7**	5,003.2	4,862.8	4,246.1	4,091.9
Total liabilities	**(3,690.9)**	(3,755.1)	(3,632.4)	(2,996.2)	(2,908.8)
Shareholders' equity	**1,336.8**	1,248.1	1,230.4	1,249.9	1,183.1

1 Comparatives not restated for the impact of IFRS 15 and the change in accounting policy for unallocated launch slots discussed in note 2

FINANCIAL CALENDAR 2019

1 May	Annual General Meeting and Q1 2019 results
18 April	Ex-dividend date for 2019 final dividend
23 April	Record date for 2019 final dividend
30 May	2018 final dividend payment date
August	2019 interim results
October	2019 interim dividend payment
November	Q3 2019 results

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report constitute 'forward-looking statements' within the meaning of the U.S. 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 of 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 Annual Report.

Inmarsat undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances, except where it would be required to do so under applicable law.

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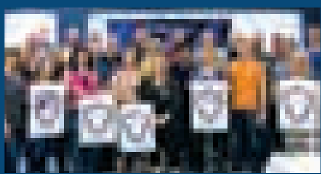
IN THE SPOTLIGHT
OUR RECENT AWARDS

Inmarsat GX Aviation wins 'Connectivity Enablement' at Inflight Middle East Awards
February 2019

SMART4SEA Personality Award presented to Inmarsat SVP Peter Broadhurst
January 2019

Inmarsat recognised as one of Atlantic Canada's Top Employers two years running
January 2019 & 2018



Inmarsat CPO Natasha Dillon wins 2018 HRO Today Award
November 2018

Inmarsat wins Best Safety Service of the Year Award
October 2018

Fleet Safety wins Safety4Sea Technology Award
October 2018

Inmarsat and TSF win Corporate Engagement Award
June 2018

European Aviation Network wins German Innovation Award
June 2018

SwiftBroadband-Safety wins prestigious 2018 Jane's ATC Award
March 2018

Inmarsat's L-TAC service wins 'Top Government Mobility Satcom Innovation' award
March 2018

Inmarsat GX Aviation wins 'Connectivity Enablement' at Inflight Middle East Awards
January 2018

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