



MAKING A DIFFERENCE

on land, at sea and in the air



Our investor proposition

Inmarsat's track record, unique capabilities and differentiated market position ensures we will remain well placed to capture significant medium-term growth opportunities available to us in each of our chosen markets

- > Unique and market-leading position in mobility
- > Long-standing and sustainable advantage in global coverage
- > High-performance mobility-designed L-band satellites, supported by secure networks and technology
- > GX, a unique global, mobile, high bandwidth network, will be augmented by new, low-cost technologies in the future

MARITIME

- > Steady operational progress and return to quarterly year-on-year revenue growth
- > Fleet Xpress gaining increasing market traction, with over 2,600 vessels on FX by year end (2016: 335 vessels)
- > Resilient FleetBroadband performance

GOVERNMENT

- > Material revenue growth in 2017
- > New contract wins more than offsetting the pressures of ongoing budgetary constraints

AVIATION

- > Double digit revenue growth throughout 2017
- > Continued commercial momentum in In-Flight Connectivity
- > Another strong performance from our core businesses

ENTERPRISE

- > Growth in Machine2Machine revenues
- > Decline in legacy services

As the industry leader and pioneer of mobile satellite communications, Inmarsat has been powering global connectivity for nearly four decades

We make a difference to our customers by making their businesses more efficient and effective and by helping them to remain safe and more connected

Strategic Report

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REVENUE

\$1,400.2m



ADJUSTED EBITDA^{1,2}

\$751.4m



CASH CAPEX²

\$598.7m



PROFIT AFTER TAX

\$182.3m



1 EBITDA is adjusted for a one-off restructuring charge of \$19.9m

2 These represent alternative performance measures ('APMs'). Please refer to note 2 in the Financial Statements

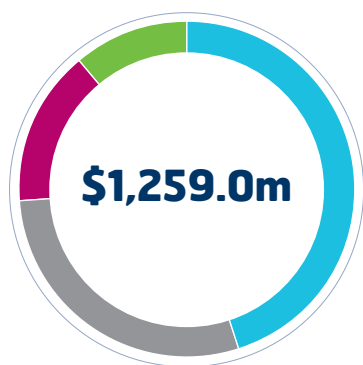
GROUP AT A GLANCE

Making a difference across our chosen end markets

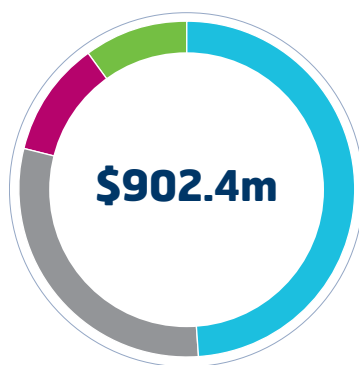
Our four business units provide unrivalled global, mobile connectivity to our customers

MARITIME	GOVERNMENT	AVIATION	ENTERPRISE
<p>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.</p> <p>Our secure, globally available services and products are helping to drive an evolution in:</p> <ul style="list-style-type: none"> > Vessel performance and efficiency > Safety management and monitoring > Crew welfare 	<p>Inmarsat remains a key partner to many governments around the world. In nations like the U.S., we aim to augment a government's existing communications networks and ensure that, wherever they need to be, our secure, reliable and powerful mobile satellite networks are always available.</p> <p>Our mission-critical voice, video and data communications solutions help governments on land, at sea and in the air to:</p> <ul style="list-style-type: none"> > Maintain their security > Ensure public safety > Deliver remote health, education and other crucial services in regions where terrestrial networks are not able to reach 	<p>Inmarsat has been providing connectivity services to both the cockpit and the cabin for many years. We provide cabin connectivity to the Business and General Aviation ('BGA') sectors and more recently to the Commercial Aviation sector, through In-Flight Connectivity. Our connectivity products in the Safety and Operational Services sector ensure safe and secure communications between the cockpit and air traffic control.</p> <p>Our unique position in the Aviation market is supported by:</p> <ul style="list-style-type: none"> > Benefits of owner economics > Long track record serving the Aviation industry > Continual innovation and product development in this sector 	<p>Inmarsat provides the widest portfolio of global voice, broadband data, Machine2Machine ('M2M') and value-added services in the market. We see significant 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.</p> <p>Inmarsat has the ability to:</p> <ul style="list-style-type: none"> > 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
<p>20 Maritime business overview</p>	<p>24 Government business overview</p>	<p>28 Aviation business overview</p>	<p>32 Enterprise business overview</p>

REVENUE



EBITDA



● Maritime	\$564.7m	45% of group
● Government	\$366.7m	29% of group
● Aviation	\$195.0m	15% of group
● Enterprise	\$132.6m	11% of group

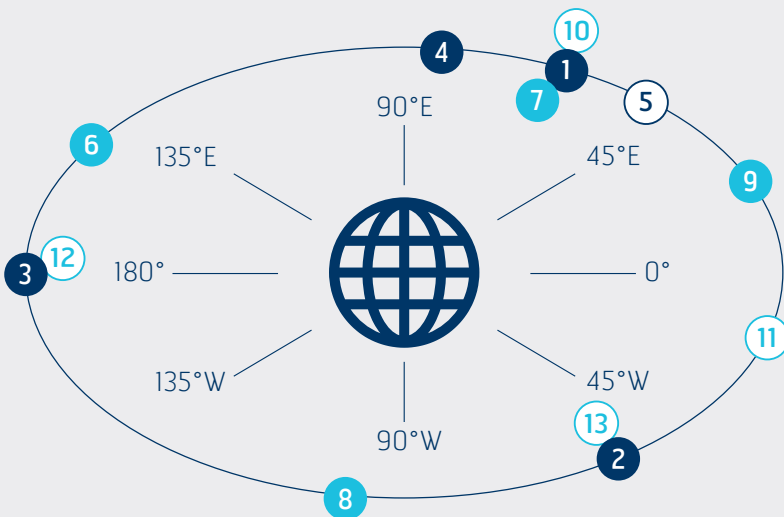
● Maritime	\$441.9m	49% of group
● Government	\$265.2m	30% of group
● Aviation	\$103.4m	11% of group
● Enterprise	\$91.9m	10% of group

Revenue and EBITDA excluding Central Services and Ligado

An unrivalled portfolio

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



13



GEOSTATIONARY SATELLITES – THREE SATELLITES PROVIDE GLOBAL COVERAGE

10



SATELLITE ACCESS STATIONS

99.9%



L-BAND SATELLITE AND GROUND NETWORK AVAILABILITY MEETING THE GLOBAL MARITIME DISTRESS AND SAFETY SYSTEM ('GMDSS') STANDARDS

1 2 3 4

Global Xpress – the first global, high bandwidth satellite network

GX, based on our four Inmarsat-5 satellites currently in orbit, is a global, mobile, high bandwidth network, which will be further augmented by new, low-cost technologies in the future. The GX network is fully operational, following the launch of the fourth I-5 satellite in 2017.

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.

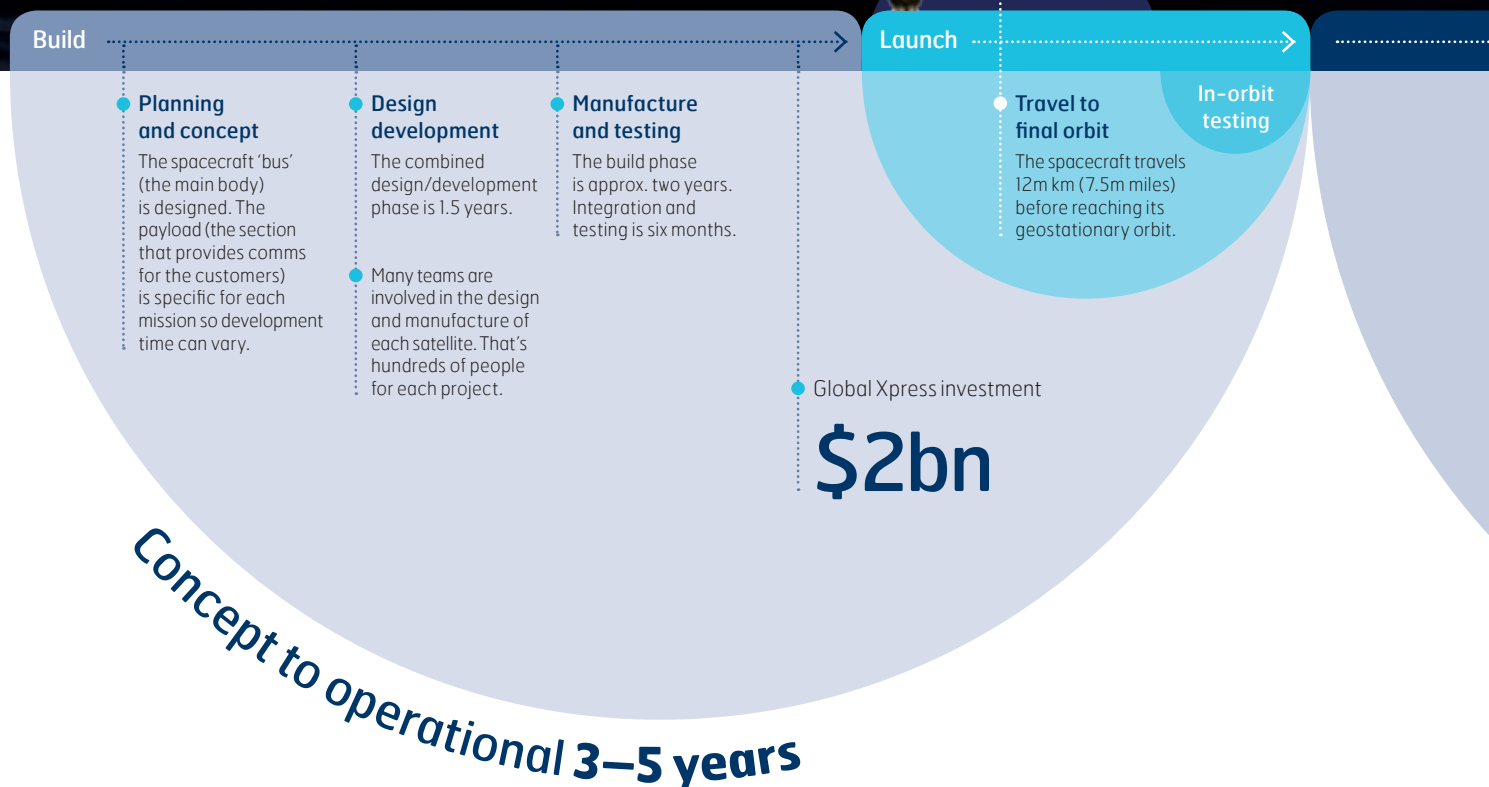
THE LIFE CYCLE OF A SATELLITE

Harnessing innovation and technology at every stage of the journey, from design to launch and beyond



10km
per second

The rocket vehicle has to achieve what's called 'burn-out velocity' of 10km/s (22,300mph)



Operates in geostationary orbit at

35,786km

Kilometres travelled

1,500,000,000

Over 15 years, the spacecraft will travel around the earth for a total of 1.5 billion km – roughly the same as 1,951 round trips from the Earth to the Moon!

Deorbiting

A spacecraft is 'raised' to 'graveyard orbit', a circular orbit that is higher than operational geostationary orbit

Fuel carried for station-keeping throughout lifespan

200kg

Average number of manoeuvres each year (1-5 satellite)

1,460

Operate & lease satellite capacity

End of life & future planning

Fuel carried

The spacecraft typically carries over 2,000kg (2 tonnes) of propellant into space – most of this is used to raise the orbit after separating from the launch vehicle, leaving only 200kg for station-keeping for the remaining lifespan.

Positioning

The spacecraft's position is constantly monitored 24/7 from our Satellite Control Centre. When a manoeuvre is required, thrusters accelerate the satellite to the required position. The average manoeuvre uses 10g of propellant (1-5 satellites).

Space debris

In collaboration with several agencies around the globe, we continually monitor close approach of objects near our fleet. On average, we have to take avoiding action 20 times per year.

Disposal

We monitor the spacecraft long enough to confirm it has reached the graveyard orbit and then passivate. This means we check the satellite has no energy left and this typically takes a few days.

Sensors

Typically a spacecraft has sensors to detect the sun, the stars, the earth (typically older spacecraft only), and the spacecraft's own rotation. It takes roughly a tenth of a second for the signal to propagate from the satellite to the ground.

Projected operational lifespan 15–20 years

CHAIRMAN'S STATEMENT

Continuing to deliver

We remain well placed to access future growth opportunities

We have seen solid progress in 2017 towards our objectives of building a significant new mobile broadband business with our new Global Xpress constellation, as well as investing in establishing a leadership position in the largest growth opportunity in the commercial satellite sector, In-Flight Connectivity for the commercial aviation sector. In our core business overall, particularly in Maritime, Aviation and Government, we have seen solid steady performance in the face of growing competition.

OUR RESPONSE TO SECTOR HEADWINDS

However, we have been hit with headwinds as well, which have negatively affected our share price. Some of these derive from issues in the sector we are in. Firstly, there is growing overcapacity in the fixed satellite space, derived from declining video and telecoms revenues, markets we are not in. Secondly, companies in the sector who are financially stressed have dropped prices. As a result of these factors, fixed satellite operators are attempting to enter the higher growth mobile satellite space where we operate.

We believe these trends were predictable and known. It was contemplated as we invested further, over the last few years, so as to maintain leadership in the mobile satellite sector of commercial satellites. The mobile satellite sector is fundamentally distinct from the fixed sector and the services needed to address this market will take many years for competitors to develop. Our moves in broadband mobile satellite are made from a position of strength in the maritime and aviation sectors, where we have had a presence and been a leader for decades. These are healthy and growing segments in the commercial satellite sector and our moves in 2017 and leading into 2018 uniquely position us to lead and accelerate growth in these emerging opportunities in the years ahead.

OVERVIEW OF OUR PERFORMANCE IN 2017

The management team has been following the strategic plans outlined in our previous annual reports and commented on in our quarterly reporting and in 2017 executed well on those plans to drive future growth opportunities. Major accomplishments for the year include two successful satellite launches, a set of new service launches across land, sea and air, as well as tremendous progress on the build,



ANDREW SUKAWATY
CHAIRMAN

licensing and sales of our soon to be launched European Aviation Network. We have built up our presence and costs in aviation so that we are in a position to successfully support and grow that business in the years ahead.

While certainly there were operational and sector challenges in 2017, overall the management team has executed well and achieved our primary strategic objectives for positioning the business for growth. This will be laid out in more detail on the following pages of this report by Rupert Pearce, in his CEO review and in the strategy section.

BALANCING INVESTMENT IN GROWTH WITH SHAREHOLDER RETURNS

In light of this year's share price performance, we have also stood back and assessed our plans and performance. We have met extensively with shareholders and listened. It is clear from this feedback that there is growing concern about the impact of our medium to long-term investments on the short-term financial performance of the business and the implications for our financial strength downstream. It is important to emphasise that our business remains on a solid footing financially and the Board remains supportive of the investment path we are on. However, we will continue to assess various paths to enhance our progress over the short term, as well as the long-term, to address the concerns which have been raised.

That brings me to the Board's decision on the dividend going forward. During 2017, particularly in the second half of the year, two elements started to become clearer. Firstly, the Board's conviction around our opportunity to build our position in the emerging and substantial In-Flight Connectivity segment continued to grow and, secondly, the continued lack of visibility and uncertainty around the future cash contribution from Ligado Networks. With these factors in mind, particularly their potential impact on our short to medium-term cash flow profile, the Board took the decision to reduce the level of annual (full year) dividend payments to shareholders to 20.00 cents (\$) per share.

Inmarsat is pleased that it has paid over \$2.1bn to shareholders in dividends since our IPO in 2005. However, given the magnitude of solid growth opportunities before us and the other reasons stated, adjusting our dividend to address this capital requirement is in the Company's best interest.

The dividend will remain at these levels until our cash flow grows sufficiently, to make future increases in the dividend appropriate. Whilst this was an extremely difficult decision for the Board to take, we had to ensure the right balance between providing our shareholders with attractive cash returns and doing what is right for the business – in particular, by supporting our growth prospects with a clear and targeted investment programme.

THE INMARSAT INVESTMENT THESIS

Standing back from all of this you can see that we are investing with the belief that broadband connectivity will greatly expand in the markets we serve, those with little or no terrestrial wired or wireless connectivity. This of course is at sea, in the air and in remote, less densely populated environments. This is broadly our investment thesis and supports our purpose of 'enabling a connected world'. We believe we are best positioned to be a leader in this often overlooked global opportunity. Translated to more specifics, this means that we believe more consumers on aircraft will demand connectivity on their smart phone or laptop. We believe that ship owners and mariners will have greater increased need for high speed connectivity for ships generally and also in what is being referred to as 'Smart' or automated ships. We believe that government and aid workers in remote environments, will demand the same kind of connectivity they experience everywhere else, in order to stay connected and function. Our resources are focused on investments that ride this trend.

BOARD DEVELOPMENTS

Early last year, two of our long-standing Directors retired from the Board, with one having been appointed at the time of our IPO in 2005 and the second in 2006. We would like to thank Stephen Davidson and Kathleen Flaherty for their significant contributions to the success of Inmarsat over more than a decade.

Joining the Board during 2017 is Warren Finegold. Warren has tremendous experience in the telecoms sector, having recently retired as a senior executive with Vodafone, as well as significant experience in investment banking. His biography can be found on page 61.

We have asked Sir Bryan Carsberg, a long-standing Director at Inmarsat, to stay on the Board, while recognising he is no longer deemed independent due to his tenure with us. Bryan will continue to participate in the Audit and Remuneration Committees, but no longer as a formal member. He will remain as a member of the Telecoms Regulatory Committee. The Board however, still maintains significantly more than a majority of its Directors as independents. We believe that Sir Bryan's contributions and insights continue to be extremely valuable for the Inmarsat Board.

Our Board is diverse in experience, gender and nationality. For a global technology business we believe this is essential to achieving a high level performance for the Board, as well as the Company as a whole. When we review Board succession, and the appointment of new Non-Executive Directors, diversity consideration

is part of the hiring process. We have recently published our Gender Pay Report which looks across our business to ensure there is no unconscious bias in any of our decision making and we report separately our UK employee statistics to the UK Government. A copy of the report can be found on our website. There has been much work done during 2017 on our talent management and internal succession planning and we are delighted progress has been made on these key areas to support opportunities for our staff.

We would like to assure our shareholders that we strive to meet the highest standards in terms of the governance standards we utilise to conduct our business. Last year, while our Remuneration Policy received a solidly supportive vote, the implementation of that Policy however received significant opposition. In light of that, we have consulted with shareholders and reviewed our remuneration implementation. As a result we have listened to the comments received and made significant changes which are highlighted in our Remuneration Report on page 76.

Your Board continues to function well and we completed our annual assessment of this during the course of 2017. More details are provided in the Governance Report on page 56.

SUMMARY

We believe Inmarsat is on the right course to continue to grow profit and prosper for our customers, staff and shareholders. We have maintained our leadership in maritime and aviation while making significant unprecedented investments to allow us to focus in those sectors we believe we can profitably grow. Despite these forward looking investments, we remain solid financially. However, we need to be mindful of financial market concerns for the sector and the growing investments required to capitalise on these growth opportunities and the Board is focused on these areas as part of its 2018 priorities.

We would like to thank our customers for continuing to trust and rely on us for their often mission critical connectivity. We take our commitment to reliability and quality deeply seriously, not only for the safety services we provide at sea and in the air, but also for our commercial services. We also would like to thank our staff for their dedication and commitment which allows us to continue to succeed. Lastly, I would like to thank our shareholders who have supported the continued evolution of our business into new and essential growth opportunities.

ANDREW SUKAWATY CHAIRMAN

9 March 2018

2017 AWARDS

SMART4SEA

Category: Excellence Award 2017
Winner: Fleet Xpress

Mobile Satellite Users Association's 2017 Mobility Innovation Awards

Category: Top Government Mobility
Satcom Innovation
Winner: Wideband Streaming L-band

Seatrade 2017

Category: Digital Technology Award
Winner: Fleet Xpress

IMC Golden Shield Excellence Awards 2017 – UK Chapter

Category: Maritime Security Services Provider
Winner: Inmarsat

Inflight Magazine Asia Pacific Awards

Category: Connectivity Enablement
Winner: GX Aviation

APEX Awards 2017

Category: Best Inflight Connectivity Innovation
Winner: European Aviation Network

Civil Aviation Administration of China

Category: Product Innovation
Winner: GX Aviation

Airline Public Communication Alliance China

Category: Product Innovation
Winner: GX Aviation

World Travel Awards 2017

Category: World's Leading Inflight
Internet Service Provider
Winner: Inmarsat

CHIEF EXECUTIVE'S STRATEGIC REVIEW

Making a difference

RUPERT PEARCE
CHIEF EXECUTIVE
OFFICER



STRONG PERFORMANCE ACROSS OUR BUSINESS UNITS THROUGHOUT 2017

Our solid operational progress supported the Group in delivering revenue growth of over 5% for the year, with our investment in Global Xpress, our high bandwidth global mobile satellite network, starting to show material returns, generating over \$140m of revenue in the year.

Indeed, there were strong performances across our business units throughout 2017:

- › In Maritime, we made important strategic progress in securing the long-term future for Fleet Xpress, with significant commitments signed with leading distribution partners. After a challenging year in 2016, which continued into Q1 2017, we delivered quarter-on-quarter growth for three consecutive quarters and year-on-year revenue growth in the fourth quarter
- › In Government, we delivered on our strategy to increase our contracted revenue base and diversify our customer and product base, supported by another excellent operational performance during the year
- › In Aviation, we further established our market position in IFC through commercial momentum and strategic investment, and our core business delivered double digit revenue growth throughout 2017
- › Enterprise continues to make progress notwithstanding challenges, by focusing on mobility applications. We remain optimistic about the long-term future demand for M2M connectivity in the emerging global Internet of Things ('IoT') market

We also delivered several notable successes in the development of our global networks – in particular:

- › We successfully launched our fourth GX satellite in May 2017, to provide global in-orbit redundancy and additional capacity and capabilities into new regional growth opportunities

OUR RESULTS

5.4%

INCREASE IN REVENUE

\$142m

GLOBAL XPRESS REVENUE

Inmarsat delivered further operational and strategic progress in 2017, comprising both gratifying near term revenue growth as well as several important strategic proof-points around exciting medium-term growth opportunities, especially in In-Flight Connectivity ('IFC')

- Our S-band satellite was also successfully launched in June 2017, to become an integral part of our new European Aviation Network ('EAN'), to be combined with a complementary air-to-ground component network recently completed by Deutsche Telekom and expected to be launched in 2018
- We completed the design and procurement of our fifth GX satellite, announced and initiated in July 2017 and expected to be launched in late 2019, and our two replacement Inmarsat-6 satellites remain on track for their launches in 2020 and 2021, respectively and
- We procured launchers for two of these satellite programmes: comprising Arianespace's Ariane-5 for GX-5 (2019) and Mitsubishi Heavy Industries' H-IIA rocket for Inmarsat-6F1 (2020)

These planned investments in our network infrastructure drove an increase in capital expenditure in 2017, which was the primary driver behind the reduction in free cash flow in the year.

Adjusted EBITDA for the Group declined by 5.5%, in the year, with revenue growth offset by further planned investment in IFC market capture and service delivery and in developing our networks and back office infrastructure, as well as changes in revenue mix.

SIGNIFICANT ACTIONS TAKEN LEADING TO MAJOR CHANGES TO THE ORGANISATION DURING THE YEAR

There were a number of significant people-related actions carried out during the year, which led to major organisational developments across our business.

During the fourth quarter, we initiated a headcount reduction programme to reduce our legacy costs, ensuring that we have the

capacity to invest in new skills to support the future growth of the business. Whilst this was unsettling for many of our staff, it was an exercise that had to be undertaken to ensure the business has a solid functional backbone from which to support our growth in the future.

There were also a number of changes to our Executive Management team during the year. Leo Mondale, President of our Aviation Business Unit, and Michele Franci, our Chief Technology Officer, both left the business in 2017. I would like to thank both Leo and Michele for their significant contributions to the business over the years and I wish them all the very best for the future.

Phil Balaam, previously our Chief Strategy Officer, replaced Leo as the President of our Aviation Business Unit, running our global Aviation IFC and core businesses, and Peter Hadinger, previously President of our U.S. Government Business Unit, steps up to become our new Chief Technology Officer. Susan Miller in consequence steps up to become the President of our U.S. Government Business Unit, bringing together our wholesale and retail U.S. Government sales activities under one roof, and stepping up onto Inmarsat's Executive Team. I am pleased to say that Phil, Peter and Susan are all vastly experienced and highly skilled operators in the satellite industry and I am extremely confident that they will help to further drive the performance and development of the key parts of the business that they now lead.

At the end of the year, we also created a new division within the business, the Product Group, led by Nick Thexton as our Chief Product Officer, who joined us last year from YouView and previously spent many years in a number of senior roles at Cisco Systems and NDS. Nick also joined Inmarsat's Executive Team. This newly created product team has been established through a spin-out of our end-to-end product development and

management activities in our current technology division, our business units and our finance division, bringing together all product-related activities under one roof, and the addition of our nascent and fast-growing digital services team. We believe this will provide more focus and agility in our product and service innovation, development and life cycle management, both digital and non-digital. The team 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. Our technology division's focus will tighten to global networks and operating systems.

INMARSAT REMAINS WELL POSITIONED TO CAPTURE SIGNIFICANT GROWTH OPPORTUNITIES

Our performance in 2017, supported by the impact of these organisational developments, will help to ensure that Inmarsat remains well positioned to capture the significant growth opportunities that will become available in the coming years, as a result of two major demand drivers.

Firstly, the current demand for global mobile satellite broadband services continues to grow more rapidly than in many other satellite segments. Secondly, lower speed, high resistance satellite connectivity services to support emerging IoT applications offers significant growth potential over the medium to long-term.

Both of these areas will be driven by further growth in demand for mobile connectivity services in the Maritime, Government, Aviation and Enterprise markets, supported by the ongoing surge in data utilisation by users on the move and around the world.



OUR CONFIDENCE ABOUT THE FUTURE IS BASED ON OUR STRONG TRACK RECORD, UNIQUE CAPABILITIES AND DIFFERENTIATED MARKET POSITION

CHIEF EXECUTIVE'S STRATEGIC REVIEW CONTINUED

In Maritime, we are confident that our future growth will be founded on continued progress in penetrating the maritime VSAT markets and by diversification of our L-band business into new market segments. In Government, we remain well-placed to capture value over the medium-term as the trusted provider of unique space-based capabilities to governments as and when near-term budgetary and operational tempo headwinds start to ease. In Enterprise, future growth is targeted in the emerging IoT opportunity, where we expect satellite services to play a substantial global role over the medium-term. Finally, we expect that Aviation will be the largest individual growth driver for the overall business in the coming years, through the consistent double-digit growth trajectory of our core Aviation business (composed of services to the Business and General Aviation segment and the Safety and Operational Services segment) and through the significant medium-term growth potential of our fast-emerging and substantial IFC Aviation business.

With two complementary global satellite communications networks (each with in-orbit redundancy), we are fully focused on mobility markets. With a 38-year history and reputation of delivering reliable and agile connectivity services to customers, we are very well positioned to retain and capture a leading market position in both global mobile broadband and satellite IoT markets. Our confidence is supported by our:

- › **Unrivalled presence in key end markets**, with a disciplined focus on end users for whom our services are highly differentiated and mission critical, supported by strong local market access and licensing, following many years of relationship-building and investment. We are the current global leaders in the supply of satellite telecommunications services to the maritime, government and aviation sectors
- › **Long-standing and sustainable advantage in global coverage**, enabling our customers to utilise a seamless, consistent service wherever they are in the world, ensuring they have reliable, always-on connectivity across our truly global technology platforms
- › **Owner economics**, ensuring we provide a high quality service to customers, meeting their capacity requirements and delivering for them an optimised value proposition

› **Established global distribution networks**, both through direct and indirect channels, providing a diversified route to market, global access and reach, specialisation and customer intimacy

› **A clear technology roadmap**, based on an open network architecture, enabling the agglomeration of diverse future technologies, as appropriate, with a unique ability to:

- **Augment our global GX network** through new, agile, lower cost technologies, focused on areas of high demand, to remain a leader in coverage, capability, capacity and cost. This will translate over the medium-term into high relative returns on investment and ensure we continue to efficiently deliver a lower cost per bit to our customers, while maintaining tight control over the timing and extent of our capex. As a consequence we expect infrastructure capex to meaningfully moderate after 2020
- **Renew our valuable and differentiated L-band services** with the current investment in the Inmarsat-6 generation of satellites, which will replace our Inmarsat-4 series. This will also help us to pursue complementary medium-term L-band growth opportunities in emerging global IoT markets and other new opportunities



22 FEBRUARY 2017

Inmarsat awarded UK Space Agency grant funding, to develop satellite application programmes that address pressing social concerns in Nigeria, the Philippines and Indonesia.



16 MAY 2017

Inmarsat confirms successful launch of fourth Global Xpress satellite. Inmarsat-5 F4 ('I-5 F4') was launched by SpaceX on a Falcon 9 rocket from historic launch pad 39A at NASA's Kennedy Space Center in Florida.



24 MAY 2017

Inmarsat and BSNL open Indian GSPS satellite gateway. Under licence from India's Department of Telecommunications ('DOT'), the new GSPS gateway, located in Meethi, Uttar Pradesh, will enable BSNL and Inmarsat to meet the most demanding requirements of satphone users throughout the country.



02 JUNE 2017

Inmarsat awards contract for the construction of our fifth Global Xpress ('GX') satellite to Thales Alenia Space.



WE ARE TARGETING MID-SINGLE DIGIT PERCENTAGE REVENUE GROWTH (EXCLUDING LIGADO) ON AVERAGE OVER THE NEXT FIVE YEARS

A STRATEGY DESIGNED TO FUTURE PROOF OUR BUSINESS

Given Inmarsat's track record, unique capabilities and differentiated market position, we are well placed to continue to grow our revenues in 2018 and beyond and to capture significant medium-term growth opportunities available to us in each of our chosen markets.

This will be supported by our strategy, outlined in more detail on the next few pages of this report, which is to be an 'enabler for the connected world'. This strategy is based on the following priorities:

- Capturing the maximum number of broadband platforms
- Re-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 medium to long-term growth outlook for the business. This confidence reflects the strong long-term growth anticipated in our key mobile satellite communications markets, our market-leading global broadband GX capabilities, our unique competitive position within each of the fast-growing Aviation markets, the resilience and agility of our established L-band business and its future growth potential, the power of our global distribution channels and our full-service global mobile offering.

Building on the strong positive momentum achieved in 2017, and based on our recent contract wins in a number of markets, we expect to deliver further revenue growth in the short term, to come mainly from material new GX revenue streams. We expect our L-band business to remain resilient over the medium-term, given its differentiated characteristics, with future growth coming from the emergence of new market opportunities, such as IoT, services to smaller vessels and aircraft, and next generation maritime and aviation safety services.

We are targeting mid-single digit percentage revenue growth (excluding Ligado) on average over the next five years, with EBITDA and free cash flow generation (both excluding Ligado) expected to steadily improve as a result of the combined impact of this growing revenue base, an improved revenue mix, tightly managed overhead costs and new, lower cost, satellite technologies being implemented. We expect these factors to drive a meaningful moderation in our annual infrastructure capex over the medium-term.

Finally, I would like to thank our employees for their support and hard work over the past year, in particular for their willingness to embrace change. And I would like to thank our partners, customers, shareholders and other stakeholders for the trust and support they continue to give us.

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

9 March 2018



29 JUNE 2017
Inmarsat confirms successful launch of S-band satellite. Inmarsat S EAN, was launched on an Ariane 5 rocket by Arianespace from Kourou in French Guiana.



06 SEPTEMBER 2017
Télécoms Sans Frontières' first deployment with GX is to the West Indies in the aftermath of Hurricane Irma.



12 SEPTEMBER 2017
Inmarsat selects Mitsubishi Heavy Industries ('MHI') as the launch provider for the first satellite in the Inmarsat-6 fleet.



24 OCTOBER 2017
Inmarsat is Official Satellite Communications Partner to the 2017-18 Volvo Ocean Race.



22 NOVEMBER 2017
Inmarsat opens office at world-leading Norwegian Maritime Competence Center ('NMCC') based in Ålesund.



OUR STRATEGY

Enabling the connected world

Our strategy is to deliver 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 government, military and enterprise-level 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 2017 – KEY HIGHLIGHTS
1	CAPTURE THE MAXIMUM NUMBER OF BROADBAND PLATFORMS <ul style="list-style-type: none"> ➢ 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 	<ul style="list-style-type: none"> ➢ GX generated revenue of \$142.3m in 2017 (2016: \$78.5m) ➢ FX installed on over 2,600 vessels at the end of 2017 (2016: 335) ➢ JX installed on 165 aircraft in 2017 (2016: 0), generating revenue of \$4.4m (2016: \$0.3m) ➢ Over 1,300 aircraft under signed contract for IFC services with GX, including 194 aircraft installed with GX terminals ➢ Growth of U.S. Government business supported by our contract with Boeing, as the exclusive provider of GX miltatcoms to the U.S. Government
2	RE-POSITION L-BAND FOR NEW GROWTH <ul style="list-style-type: none"> ➢ 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 	<ul style="list-style-type: none"> ➢ L-band connectivity continues to contribute a significant portion of Inmarsat's revenue base ➢ Fleet One now installed on over 3,000 vessels ➢ Further progress made on ensuring FB is GMDSS compliant ➢ Continued product development on SwiftBroadband-Safety to ensure it is a compelling product on launch ➢ Further progress made on development initiatives in M2M around long-term IoT opportunities
3	ESTABLISH OUR DIGITAL PLATFORM AND BUSINESS <ul style="list-style-type: none"> ➢ 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 	<ul style="list-style-type: none"> ➢ Central Product group established to drive digitisation and product development in this area ➢ Initial steps taken to implement product delivery priorities for each part of the business ➢ Early stage origination of development of a long-term product and digital roadmap ➢ Review of product portfolio underway to optimise value proposition
4	CREATE A HIGH-PERFORMANCE ORGANISATION <ul style="list-style-type: none"> ➢ Develop strategic resourcing plans to enable access to the skills we need ➢ 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 ➢ Refresh and invigorate our culture and values 	<ul style="list-style-type: none"> ➢ Strategic resourcing plans developed for each part of the business ➢ Employee value proposition developed in preparation for imminent launch ➢ Talent management and career development programmes launched across the organisation ➢ New performance management process implemented, with reward and recognition processes being reviewed ➢ Initial steps taken to refresh our culture and values
5	TRANSFORM OUR OPERATING ENVIRONMENT <ul style="list-style-type: none"> ➢ 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 	<ul style="list-style-type: none"> ➢ Two satellite launches successfully completed during the year ➢ 99.9% service availability continued to be delivered by our L-band networks ➢ Headcount reduction programme carried out in Q4 2017 to reduce our legacy costs, ensuring that we have the capacity to invest in new skills to support the future growth of the business ➢ 24/7 cyber operations continued to be improved ➢ Our 'One IT' programme, driving technology efficiency across the organisation, continues to be rolled out

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.

16 **Key performance indicators**

51 **Our principal risks and uncertainties**

OUR BUSINESS MODEL

Placing our customers at the centre of everything we do

Delivering value through our strategy

Our business model has been designed to ensure we consistently deliver a high-quality service delivery for our customers

1 Capture maximum number of broadband platforms

We will become a market leader for broadband services on the move.

2 Re-position L-band for new growth

We will continue to be a market leader in our L-band markets.

3 Establish our digital platform and business

We will become a digital services enabler.

4 Create a high-performance organisation

We will continue to be an energising and inspiring place to work.

5 Transform our operating environment

We will become a more efficient and effective organisation.

Gaining competitive advantage through our resources and relationships

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.

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.

GX-5 is currently being built.

Supported by:

Our technology

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

46 [Read more](#)

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.

42 [Read more](#)

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.

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.

Best-in-class partner ecosystem

Our relationships with our partners, from suppliers to distributors, help us to strengthen our service offering.

46 [Read more](#)

Our financial resources

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

38 [Read more](#)

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.

20 [Read more about our Business Units](#)



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.

Our revenue streams

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

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

\$1,400.2m ↑5.4%



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

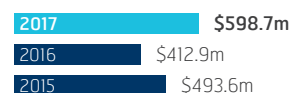
Cash capital expenditure is the cash flow relating to tangible and intangible asset additions; it includes capitalised labour costs and excludes capitalised interest. Refer to note 5 on page 124 for the reconciliation of cash capex to total capital expenditure.

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

\$598.7m ↑45.0%



Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and careful management of risks 3, 6, 9 and 11 in particular. Incentive plans include financial metrics as performance metrics so this KPI will contribute to determining incentive plan payments.

ADJUSTED 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. Adjusted EBITDA is a new measure for 2017 which excludes the one-off restructuring charge of \$19.9m. Refer to CFO report on page 39 for the reconciliation of EBITDA to statutory profit.

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

\$751.4m ↓5.5%



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

\$142.3m ↑81.3%



Link to risks and remuneration

The achievement of this KPI depends on successful execution of our strategic priorities and minimisation particularly of certain risks (numbers 1, 3, 4, 5 and 6 in particular). 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

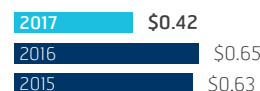
Adjusted Group profit after tax attributable to equity holders of the Company divided by the weighted average number of shares in issue (excluding shares held by the employee trust). Refer to note 27 on page 141 for the calculation of EPS and Adjusted EPS.

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

\$0.42 per share ↓35.4%



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.

Non-financial KPIs

SATELLITE NETWORK AVAILABILITY

Ongoing investment in our space and ground infrastructure ensures that customers are supported by an overall 99.9% L-band network availability which meets the GMDSS requirements set by the International Maritime Organization.

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

99.9%



Link to risks and remuneration

The risks for this KPI are specifically numbers 6 and 9. 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

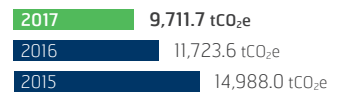
We set an interim target to reduce Scope 1 and 2 emissions (market based) by 10% from 2016 to 2017. We are currently undergoing a Scope 3 screening exercise with the aim to set a science-based emissions reduction target.

Why it is important

This is a new KPI for 2017. 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

9,711.7 tCO₂e ↓17%*



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

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

9.7%



Link to risks and remuneration

The risk for this KPI is specifically number 12, 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

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

Why it is important

This is a new KPI for 2017. It is important as higher levels of employee engagement have been proven to positively impact business performance.

4

7.4/10

Average of first year's survey results

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 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

12 Read more about our strategy 50 Find out more about our risks 76 See our full remuneration report

MARKET TRENDS

Significant growth opportunities

KEY MARKET TRENDS AND INMARSAT'S POSITION

INDUSTRY OVERVIEW

Satellite communications operators, like Inmarsat, own and operate fleets of satellites as a communications network, distributing services either directly to end customers or with the support of third party service providers and distributors. There are two primary categories of satellite operators:

- Mobile satellite services ('MSS') operators, including Inmarsat, typically operating in L-, Ka- or S-frequency bands, and focusing on communications for mobility applications in commercial and governmental markets
- Fixed satellite services ('FSS') operators operate in Ka-, Ku- and C-bands, and focus on communications for fixed applications in media, telecoms, corporate and governmental markets

MSS and FSS operators use satellites that are located in geostationary orbit, orbiting 35,786km above the Earth, medium earth orbit, orbiting approximately 8,000 to 16,000km above the Earth and low earth orbit, orbiting approximately 480 to 1,600km above the Earth.

Inmarsat's satellites are in geostationary orbit, orbiting the Earth above the equator at the same speed as the Earth rotates, and therefore remain above the same point relative to the Earth's surface. This means that a satellite system of just three satellites is enough to achieve global coverage. For satellite operators in middle and low earth orbits, given their closer proximity to Earth and the technological challenges of landing traffic from those positions, many more satellites are required to achieve global coverage.



INMARSAT HAS A UNIQUE POSITION IN MOBILITY, WITH A LONG-STANDING AND SUSTAINABLE ADVANTAGE IN COVERAGE, HIGH-PERFORMANCE MOBILITY-DESIGNED SATELLITES

FIXED SATELLITE OPERATORS' MARKETS REMAIN UNDER PRESSURE, WHILST GROWTH OPPORTUNITIES REMAIN IN MOBILITY

Unlike fixed satellite operators, Inmarsat has no exposure to slower growth, structurally challenged markets, in particular video and fixed point telecommunications, and is therefore highly differentiated from these operators.

As evidence of this, Inmarsat outperformed the listed fixed service operator peer group, in terms of revenue growth, in recent years. Further validation of the growth prospects of mobility is that most of the fixed satellite operators are looking to enter mobility markets to support their future growth profile.

Inmarsat has a unique position in mobility, with a long-standing and sustainable advantage in coverage, high-performance mobility-designed satellites, unique and highly secure networks and technology, embedded safety services and a market-leading distribution network.

ONGOING SURGE IN DEMAND FOR BROADBAND DATA ON THE MOVE

The major long-term trend in our industry is the significant ongoing surge in demand for broadband data. In each of Inmarsat's core market segments, customers continue to utilise more of our products, which have been uniquely designed to deliver truly pervasive, highly reliable broadband data on the move.

Broadband data is increasingly becoming a mission-critical enabler of our customers' businesses, to help drive their commercial and operational progress. Our customers' demand for data is being accelerated by the emergence of the 'internet of things' which is proliferating billions of smart devices and extending the requirement for highly secure, highly reliable connectivity into many new areas of the global economy.

Inmarsat is already at the forefront of providing this connectivity and we will continue to support our customers as their requirements continue to develop over the medium to long-term.

MOBILITY RELATIVELY WELL-INSULATED FROM RISK OF FUTURE OVER-SUPPLY

Satellite operators are progressively adopting HTS technology, with HTS capacity expected to grow from less than 700 Gbps in 2015 to approximately 3,600 Gbps in 2020 while demand is now expected to exceed 1,500 Gbps by 2020, the majority of which is expected to come the utilisation of consumer broadband in North America (source: Euroconsult).

Consequently, most of the competing satellite systems planning to launch in the coming years have not been designed and will not therefore be optimised, for mobility markets. We expect Inmarsat's core global maritime, aviation and government mobility markets will remain relatively well insulated from this threat.

Furthermore, much of the capacity to be delivered by these new satellite systems may be 'stranded' over areas of low demand, so negatively impacting the economics of these systems.

INCREASING INTEGRATION WITH TERRESTRIAL NETWORKS AND ECOSYSTEMS

In a world increasingly reliant on coverage and connectivity to perform mission-critical tasks via applications and solutions, mobile satellite communications services can offer a powerful complementary capability to terrestrial networks, delivering a complete package to end-users, and providing high levels of resilience.

The reach of terrestrial networks has extended geographically, working seamlessly with global satellite communications networks, providing customers with the end-to-end services they require. Consequently, the closer integration of satellite with broader information and communications ecosystems is therefore expected to lead to the increasing importance of value-added services and new business models in the industry.

Inmarsat will look to collaborate with terrestrial operators to provide holistic solutions and applications for end-user customers. For example, we announced in March 2017 our participation in AT&T's consortium for the First Responder Network Authority contract in the U.S., with a view to delivering a wide portfolio of satellite communication solutions and value-added services, as part of the AT&T's national network solution.

In-Flight Connectivity: a growth market

The major growth opportunity for Inmarsat in the coming years is the provision of IFC services to customers in the commercial air transport segment

According to 2017 research conducted by Inmarsat in conjunction with the London School of Economics, connectivity is transforming aviation markets, with related ancillary revenues from activities like targeted advertising, e-commerce and the delivery of premium content and entertainment becoming increasingly important to airline profitability.

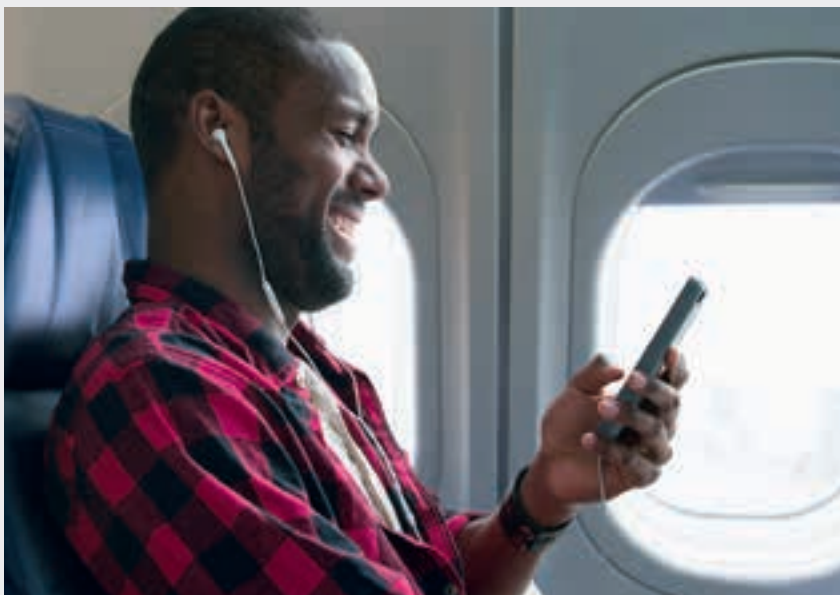
This research forecasts that airlines will be gatekeepers to a \$130bn incremental market opportunity for all related parties by 2035, empowered by IFC services, with the airlines themselves capturing around 25% of this value. This will be driven by digitalisation across the industry, consistent growth in passenger demand for connectivity and new technologies, powered by satellite communications and air-to-ground networks. Consequently, the retail value for satellite operators and services providers delivering IFC connectivity services to the industry is predicted to grow from around \$1bn in 2017 to \$5.4bn by 2026 (source: Euroconsult).

Inmarsat, with a current estimated segment share in IFC of over 30% (excluding North America and based on our signed aircraft under contract for GX Aviation services), is targeting to become the market leader in this rapidly developing market segment.

With our unique global broadband networks (including both GX and our integrated satellite/air-to-ground, the EAN), complemented by our global high resilience and safety networks (deployed across our SwiftBroadband ('SB') and SB-Safety services) and supported by our strong and highly experienced distribution channel and hardware partners (as well as our own newly created direct sales, marketing and service delivery capability), we are well-placed to continue to drive towards market leadership in this high-growth sector over the coming years. Although we currently remain in the market capture and infrastructure investment phase regarding the global IFC opportunity, we remain confident that over the medium-term our IFC business will become highly profitable and cash generative on a long-term, sustained basis.



WE ARE TARGETING TO BECOME THE MARKET LEADER IN THIS RAPIDLY DEVELOPING MARKET SEGMENT



20,000+

PREDICTED INCREASE IN THE NUMBER OF CONNECTED AIRCRAFT IN OPERATION BY THE MIDDLE OF THE NEXT DECADE



BUSINESS OVERVIEW

MARITIME



We continue to expect the business efficiency and effectiveness that our services drive to underpin strong demand from merchant shipping fleets

MAKING A DIFFERENCE IN GREENER SHIPPING

TRANSFORMING EFFICIENCY AND OPERATIONS – ENVIRONMENTAL COMPLIANCE

Monitoring ships' energy consumption and emissions is required by law in many parts of the world. With fuel soaking up 46% of running costs on average (source: Drewry), shipping companies have another powerful incentive to make sure their vessels are running efficiently.

Rolls-Royce's Energy Management System collects data from a multitude of ship control systems and equipment sensors. Using Inmarsat's high speed always-on broadband service Fleet Xpress ('FX'), this data will now be aggregated and reported in real time – meaning any inefficiencies can be flagged and immediately dealt with, often remotely. But Fleet Xpress is more than just a connectivity pipe. Our investment in the Inmarsat Gateway is creating an application ecosystem where accredited innovators develop content-rich solutions integrated with our network.

Additionally, flexible control of bandwidth will allow ship managers to choose whether to dedicate part of their service to specific vessel efficiency measures, or for the application itself to trigger bandwidth dynamically. Together, these technological advances will enable safer, smarter, greener and more efficient vessels.

1,000m

TONNES OF CO₂ EMITTED ANNUALLY BY MARITIME TRANSPORT (SOURCE: IMO)

REVENUE

\$564.7m



EBITDA

\$441.9m



FLEETBROADBAND (STANDALONE) INSTALLED VESSELS

36,105



VSAT INSTALLED VESSELS

4,332



BUSINESS OVERVIEW – MARITIME CONTINUED

After a challenging year in 2016, which continued into Q1 2017, Maritime delivered three consecutive quarters of sequential growth, including year-on-year growth in Q4 2017, with revenues for the year as a whole consequently declining by 1.8%



1.2 MILLION SEAFARERS
RELY ON INMARSAT SAFETY
SERVICES EVERY DAY

THE VSAT MARKET – MARKET OUTLOOK AND OUR PERFORMANCE IN 2017

The major opportunity for Inmarsat in maritime is in the high bandwidth Very Small Aperture Terminal ('VSAT') segment. The addressable market for VSAT services is expected to double over the next decade, from around 20,000 vessels today to around 40,000 vessels at the start of the next decade, with the market worth around \$1bn at that point¹.

With our large legacy user base (to migrate to VSAT services), global distribution network, unique product and service range, and trusted heritage, Inmarsat remains in a strong position to be able to garner a leading position in this major market opportunity. Our high bandwidth GX-based product, Fleet Xpress ('FX'), continues to establish itself as the leading service proposition in this market, with fast-growing revenues from both our direct sales channel and, increasingly, through our long-established distribution partner community. We now have more than 10,000 ships

committed to Fleet Xpress over the coming years, including both commitments from our key strategic distribution partners as well as vessels committed to be migrated from our interim VSAT product, XpressLink ('XL'), to Fleet Xpress, ensuring a strong foundation for growth going forward.

Revenue from our VSAT products, XL and FX, increased by 20.9% in 2017, including 18.3% growth in Q4, 25.8% in Q3, 21.0% in Q2 and 17.7% in Q1, highlighting the on-going increase in customer usage of our high bandwidth products. There were 4,332 VSAT vessels at the end of the year (2016: 3,028), including 2,614 FX vessels (2016: 335).

The VSAT installation order book has also increased, rising to around 720 vessels at the end of 2017, from around 500 at the end of 2016. The pace of FX installations continued to accelerate, driven by the continued ramp-up of our internal installation capability and the growing engagement of our distribution partners. The overall proportion of completely new customer installations remained high during the year at 26%, (Q4: 31%, Q3: 25%, Q2: 22%, Q1: 19%).

MARITIME BUSINESS RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue	564.7	575.3	(1.8%)
Direct costs	(86.4)	(79.5)	(8.7%)
Gross margin	478.3	495.8	(3.5%)
Indirect costs	(36.4)	(41.0)	11.2%
EBITDA	441.9	454.8	(2.8%)
<i>EBITDA margin %</i>	<i>78.3%</i>	<i>79.1%</i>	–
Cash capex	43.4	43.8	0.9%

PRODUCT PORTFOLIO

Full year	Revenue (\$m)		Number of vessels		Average revenue per user ('ARPU') (\$)	
	2017	2016	2017	2016	2017	2016
FleetBroadband ('FB') – Standalone	349.2	368.2	36,105	38,088	780	787
VSAT (XL and FX)	124.4	102.9	4,332	3,028	2,885	3,112
Fleet One	5.0	3.2	3,083	1,276	100	98
Other products	86.1	101.0	n/a	n/a	n/a	n/a

INSTALLED FLEET XPRESS INSTALLATIONS

	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Opening balance of installed FX vessels	335	1,963	1,337	808	335
XpressLink migrations	876	241	200	198	237
FleetBroadband upgrades	833	208	267	213	145
New customers	570	202	159	118	91
Total installations & migrations during period	2,279	651	626	529	473
Closing balance of installed FX vessels	2,614	2,614	1,963	1,337	808

By the end of 2017, 624 installed FX vessels were with our distribution partners (Q3: 423, Q2: 243, Q1: 97).

As anticipated, VSAT Average Revenue per User ('ARPU') declined by 7.3% to \$2,885 per month in 2017, reflecting the on-going impact of wholesalers continuing to increase their share of this mix, a trend which is expected to accelerate. Retail ARPU for XL vessels remained stable during the year at around \$3,000 per month, with around 1,700 vessels to be migrated to FX in the coming years.

THE MID-MARKET – MARKET OUTLOOK AND OUR PERFORMANCE IN 2017

The mid-market segment in Maritime is where Inmarsat has been a leader for many years, with our core L-band product, FleetBroadband ('FB') setting the standard for maritime connectivity services. This segment comprises the merchant, offshore, high-end fishing and high-end leisure sub-segments and numbers around 60,000 vessels today, with a total segment value at retail of around \$540m¹. Over the medium-term, we expect a moderate decline in the size of this segment, driven principally by the migration of vessels into the VSAT segment (see above) on an ARPU accretive basis. In the mid-market segment, we expect FB to continue to be highly competitive, bolstered by material cost, form factor and capability improvements which will become available following the launch of our Inmarsat-6 series satellites in the early 2020s and which will maintain our position as the leading L-band services innovator.

FB performed solidly in 2017. Vessels using the product declined to 36,105 at the end of 2017, from 38,088 at the end of 2016. Around 40% of this decline in FB vessel numbers (around 830 vessels) related to the managed, ARPU-accretive migration of these vessels up to FX. The remainder (around 1,100 mainly low ARPU vessels) were lost as a result of scrappage and increased competition at the low end of the market (which we are addressing through new service propositions, including Fleet One). As a result of these factors, FB revenues declined by 5.1% in 2017.

FB ARPU has remained resilient over the year at around \$780 per month, with the positive impact of customers moving to higher value packages within FB, broadly offsetting a number of customers with higher value FB packages migrating to FX, a trend which is expected to continue in the coming years.

Revenue from our mainly lower margin and legacy products declined by 14.8% in 2017 with the decline in our legacy services partially



Cyber resilience at sea

In today's connected world, the threat of cyber crime is very real. The high profile attack on A.P. Moller-Maersk in 2017 is reported to have cost the company between \$200m and \$300m*. Satellite connectivity has driven the growth of computer systems controlling navigation and operations, bringing a new level of sophistication to shipping. Meanwhile, crew are bringing on board more devices and consuming more content. The threat from malicious attacks to a ship's infrastructure has never been so real. It can have a substantial effect on the safety of crew, security of data and theft of valuable cargo, which is why cyber resilience at sea is essential. Inmarsat's Fleet Secure, powered by the Trustwave Unified Threat Management system, gives vessel operators the tools they need to protect their fleet from cyber attack, detect vulnerabilities and respond to threats. With Fleet Secure as a Managed Service and seamlessly integrated into Fleet Xpress, there is peace of mind and complete visibility and protection of vessels today and in the future.

* Financial Times

offset by increased sales of FX terminals which contributed an increase in revenue of \$7.1m in 2017. FX and Fleet One terminal sales become a regular feature of our revenue mix, as we further our efforts to capture and build share in the VSAT and Smaller Vessel markets.

THE SMALLER VESSEL MARKET – MARKET OUTLOOK AND OUR PERFORMANCE IN 2017

The size of the addressable market in smaller vessels, which includes fishing and leisure vessels, is around 690,000 vessels today, and is expected to see moderate growth over the next decade to around 725,000 vessels, valuing the market at around \$780m¹. We see significant potential in the medium to long-term to serve this large market, where the small form-factor, low cost and unique service capabilities of our newly launched L-band offering, Fleet One, will have sustained differentiation.

Fleet One delivered \$5.0m of airtime and equipment revenue in 2017, up from \$3.2m in

2016, predominantly as a result of increased vessel numbers. Fleet One's customer base grew to 3,083 vessels by the end of the year, an increase of around 800 from the end of 2016. Fleet One's average ARPU increased year-on-year to \$100 per month for 2017.

MARITIME COSTS, MARGINS AND CAPEX

Against the backdrop of flat revenues, direct costs increased by \$6.9m in the year, reflecting a change in revenue mix, due to the impact of lower margin FX and Fleet One terminal sales to capture market share. Indirect costs decreased by \$4.6m in the year, driven by the impact of an internal reorganisation in July 2016, which moved costs of c. \$4m during 2016 from Maritime into Central Services.

As a result of the above factors, EBITDA in 2017 declined by \$13.0m, 2.9%. EBITDA margin decreased to 78.2% in the year, (from 79.1% in 2016). Maritime capex was relatively flat for the year.

¹ Source: Inmarsat, Clarksons, Euroconsult, Futureautics. All estimated market sizes are retail



Status report



**MAKING A DIFFERENCE
IN AIRBORNE SURVEILLANCE
TRANSFORMING SAFETY
AND SECURITY – AIRBORNE
SURVEILLANCE**

Tactical Unmanned Air Vehicles ('UAVs') are widely used for surveillance – by military forces, safety and security organisations and many enterprises. But LALE (low altitude long endurance) UAV operators have faced frustrating limitations because the satellite technology that could extend sorties beyond line of sight ('BLOS') has been too big, heavy and power-draining for the compact airframes.

Until now, Inmarsat SB-UAV couples a significantly reduced technical terminal with SwiftBroadband always-on data up to 200 kbps – with the only limit being the UAV's range. Compression software makes it possible to send high-quality video in real-time, for full and immediate situational awareness. SB-UAV is transforming airborne communications, no more so than at sea where only satellite networks can reach.

1.45kg

WEIGHT OF THE COBHAM AVIATOR UAV 200

BUSINESS OVERVIEW

GOVERNMENT



In Government, we delivered on our strategy to diversify our contractual revenue base and product base, supported by another excellent operational performance in 2017

REVENUE

\$366.7m



EBITDA

\$265.2m



BUSINESS OVERVIEW – GOVERNMENT CONTINUED

Government and military satellite communications global capacity revenues are expected to grow from around \$800m in 2017 to nearly \$1.4bn by 2025, on a wholesale basis (source: NSR)

MARKET OUTLOOK

The growth of Government and military satellite communications will be driven by internationalisation of demand beyond the established space-equipped nations, major events, budgetary stimulus, technology obsolescence and new opportunities emerging from a structural shift from government procurement of proprietary space infrastructure to the acquisition by governments of off-the-shelf services from commercial partners to replace or complement proprietary capabilities. We also believe that many governments will embrace the power of space-based communications in areas of high policy importance such as first response and emergency readiness and interoperability, e-citizenship, bridging the digital divide, security and efficiency of infrastructure (including energy and water systems) and next generation transportation and logistics networks. Consequently, government agencies' operational reliance on commercially-provided space-based capabilities is expected to become an increasingly common feature of the industry.

Inmarsat is well placed to participate in this potential emerging new government market segment over the long-term, having invested significantly in MILSATCOM augmentation in recent years, both in Ka-band and L-band, in particular to ensure that GX is fully fungible with the U.S. Government's proprietary satellite system in the future. In particular, Inmarsat's ability to augment existing military satellite systems through the global availability of its end-to-end L-band and Ka-band networks is delivering highly resilient communication capabilities with increased flexibility and robustness in support of mission-critical applications.

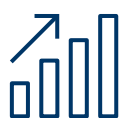
By combining mission-focused product innovation with mature customer relationships and understanding, we will continue to deliver clear competitive differentiation and diversify into new verticals and geographies.

The resilience of satellite communications continues to be a focus for policy attention and investment within NATO and Five-Eyes countries. Major government agencies have acknowledged the need to rely upon commercial satellite communications as part of an integrated satellite communications architecture. This strategy focuses on delivering a global user experience, with unique government features, across all government service platforms. To meet this need, Inmarsat provides trusted end-to-end managed communications on a global basis – 'SATCOM as a Service' – to proactively support government customers' desire for innovation and agility in acquisition.

Inmarsat continues to work with its technology partners to deliver innovative products and services built to meet the expanding requirements of the Defence and Intelligence Community as well as civilian agencies, such as coast guard, immigration, border protection, diplomatic, VIP, public safety and emergency responders.

Notable innovations have included Military-Ka for manned/unmanned Airborne Intelligence Surveillance & Reconnaissance ('AISR'), which delivers high data rates to and from Ka-band-equipped U.S. aircraft, adding new trusted capabilities for national security. In addition, the launch of new aeronautical terminals have expedited access to the GX global network and provided a more connected experience in the air and on the sea.

Inmarsat has also extended its innovation in the high mobility government L-band market with products and services tailored to specific customers' needs, further enhancing military satellite systems. Evidence of this is continued high utilisation of Inmarsat's unique L-band Tactical Satellite service ('L-TAC') – a highly resilient communication service that



11.0%

REVENUE GROWTH DELIVERED
BY OUR GOVERNMENT BUSINESS
IN 2017

GOVERNMENT BUSINESS RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue	366.7	330.5	11.0%
Direct costs	(54.4)	(41.2)	32.0%
Gross margin	312.3	289.3	8.0%
Indirect costs	(47.0)	(45.3)	3.8%
EBITDA	265.3	244.0	8.7%
<i>EBITDA margin %</i>	72.3%	73.8%	–
Cash capex	9.9	6.1	62.3%

provides robust, low-cost, beyond-line-of-sight mobile capability, using existing tactical radios. In addition, micro antennas, as small as 12.5cm, are delivering extremely high data rates and are now operationally deployed to support small intelligence platforms.

PERFORMANCE IN 2017

Our Government business delivered revenue growth of 11.0% in 2017, reflecting another strong operational performance. Despite several years of strong revenue growth in Government, budget and operational tempo headwinds persist with many of our core customers. Consequently, near-term future revenue growth is expected to be modest, as the Boeing take or pay contract reduces to a normalised level, the exceptional revenues of 2017 are not repeated and contract wins continue to be lumpy and irregular.

U.S. Government revenues grew by 21.4% in 2017, driven by the impact of short-term higher operational tempo activity during Q3, a material new business win in Q2 and approximately nine months of revenue from the U.S. Navy Commercial Broadband Satellite Program Satellite Services Contract ('CSSC'). In addition, there was another full year of revenue from our Take or Pay contract with Boeing, which is expected to decline to normalised levels that will be established in the next few years.

Outside the U.S., Government revenues fell by 5.1% in 2017, mainly reflecting a material reduction in exceptional operational revenues outside the U.S. from Q3 2017, which had been received since Q3 2015.

Direct costs during 2017 increased by \$13.2m, 32.0%, including an increase of \$5.5m, due to the increased contribution from the CSSC contract, which is relatively low margin, and the challenging comparator, as outlined above. Indirect costs increased by \$1.7m, or 3.8% in the year. EBITDA increased by \$21.3m, 8.7%, in the year and EBITDA margin declined to 72.3% in 2017.

Indirect costs increased by \$1.7m, or 3.8% in the year. EBITDA increased by \$21.3m, 8.7%, in the year and EBITDA margin declined to 72.3% in 2017.



Head of State and VVIP aircraft communications

In an era of constant political scrutiny via social media and the 24 hour news cycle, Heads of State and senior government officials cannot afford to be offline when they are in-flight. They need 'office in the sky' connectivity for multiple devices, voice and video, secure VPN, as well as IP TV and streaming services, so they can stay informed and respond effectively to fast moving events.

Inmarsat Global Xpress delivers seamless, reliable high-speed broadband wherever they fly. Combined with Eclipse's Aero+ Flexibility solution, bandwidth can be assigned to different zones in the plane – for example, accompanying journalists can pay to access data or the whole allocation can be directed to the HoS if they are handling a crisis – all without impacting safety services in the cockpit.

So today, global leaders are travelling safe in the knowledge they will never be in the dark.



INMARSAT IS WELL PLACED TO PARTICIPATE IN EMERGING NEW GOVERNMENT MARKET SEGMENTS

Optimise safe flight paths

SAFETY AND OPERATIONAL SERVICES

Real-time weather updates



WIND SPEED



VISIBILITY

Black box in 'the cloud'



ENABLING SAFER MORE CONNECTED FLIGHTS



BUSINESS AND GENERAL AVIATION



COMMERCIAL AVIATION

Passenger In-Flight Connectivity



LIVE STREAM



CALL/TEXT



INTERNET/EMAIL

\$130bn

ESTIMATED GLOBAL MARKET BY 2035

\$30bn

PREDICTED VALUE TO AIRLINES OF IN-FLIGHT CONNECTIVITY

Fleet management



**MAKING A DIFFERENCE
IN AIRLINE REVENUE MODELS
TRANSFORMING WHOLE
INDUSTRIES – OPPORTUNITIES
IN ANCILLARY REVENUES**

We know the appetite for in-flight broadband is there – 60% of respondents in the 2017 Inmarsat In-Flight Connectivity Survey considered it a necessity, not a luxury – but what is passenger connectivity worth to the global airline industry?

In the first research study of its kind, the London School of Economics and Political Science ('LSE'), in association with Inmarsat, developed an independent forecasting model to predict how broadband-enabled ancillary revenues are set to take off. The result: Airlines are the gatekeepers of a staggering \$130bn* of ancillary revenues by 2035, of which the airlines themselves will potentially benefit by \$30bn*.

Reliable, high-quality broadband connectivity is the catalyst for targeted advertising, content and e-commerce revenue opportunities. Once airlines can offer uninterrupted broadband services, each passenger can be worth \$4* more per flight – that's a potential 2,000% rise within the next 17 years.

*Source: Sky High Economics report

BUSINESS OVERVIEW

AVIATION



Inmarsat has been providing connectivity services to the cockpits and cabins of our Aviation customers for many years

REVENUE

\$195.0m



EBITDA

\$103.4m



ACTIVE SWIFTBROADBAND AIRCRAFT
IN BUSINESS AND GENERAL AVIATION

3,818



NUMBER OF INSTALLED GX TERMINALS
ON COMMERCIAL AIRLINES

194



BUSINESS OVERVIEW – AVIATION CONTINUED

We expect that Aviation will be the largest individual growth driver in the coming years

BUSINESS AND GENERAL AVIATION ('BGA') AND SAFETY AND OPERATIONS SERVICES ('SOS') – MARKET OUTLOOK

The retail value of the BGA segment is expected to more than treble in size, from \$250m in 2017 to \$1bn by 2026 (source: Euroconsult), driven by a continued steady increase in aircraft and an increased bandwidth requirement per aircraft, partly driven by innovation in cabin and cockpit applications.

The SOS segment is expected to more than double in size from \$55m in 2017 to \$150m in 2026 (source: Inmarsat internal estimates), on a wholesale basis. This is driven by the transition of legacy communications systems to next generation IP networks, key regulatory mandates coming into force over the medium-term, the rise of next generation safety services, the increasing prevalence of cockpit satellite communications and revolutionary 'connected aircraft' services becoming the norm in the industry.

Inmarsat has strong legacy market positions and new product offerings in both of these markets, as well as an exceptionally experienced and capable distribution channel to market, and we expect to continue to deliver strong revenue and profit growth, based on further product and service upgrades which will drive customer usage in the future. Specifically, we believe that SwiftBroadband has room to continue to grow in both the BGA and SOS segments, especially in the fast-emerging smaller aircraft sub-segment and for connected aircraft applications, that JetConneX (our GX Aviation service offering for

the BGA segment) has exceptional immediate growth potential in the BGA segment, and that our soon-to-be-launched SB-Safety product has strong medium-term growth potential in the SOS segment, including for both next generation safety services and air traffic management services (for example, in the European IRIS project).

IN-FLIGHT CONNECTIVITY ('IFC') – MARKET OUTLOOK

As outlined on page 19, the major growth opportunity for Inmarsat in the coming years is the provision of IFC services to customers in the commercial air transport segment.

There is expected to be a ramp-up in the number of connected aircraft in operation in the future – from 6,000 in 2015 to over 20,000 by the middle of the next decade (source: Valour). Over 70% of these new aircraft are expected to be based in the relatively nascent IFC markets of Europe, Asia Pacific, the Middle East and Latin America. These regions will drive the majority of the future growth of the global air transport industry and are therefore key target areas for Inmarsat.

CORE BUSINESS PERFORMANCE IN 2017

Revenue in our Core business, which comprises SwiftBroadband and JetConneX for BGA, Classic Aero for SOS and other legacy products, increased by \$19.2m to \$132.5m in 2017.

In BGA, SwiftBroadband revenues grew by 16.2% in 2017 to \$75.3m (2016: \$64.8m), driven by an increase in number of installed aircraft and higher average revenue per aircraft ('ARPA'), which increased to \$1,665 per month, from \$1,496 per month at the end of 2016, as a result of higher airtime usage. By the end of 2017, there were 3,818¹ active aircraft with SwiftBroadband services in BGA (2016: 3,609). The installation programme for JetConneX, our new GX-based product for the BGA market, gained continued traction during the year, with 165 terminals now installed, generating airtime revenue of \$4.6m in 2017 (2016: \$0.3m). JetConneX is now line fit on the five large OEM platforms (Gulfstream, Bombardier, Dassault, Embraer and Cessna), which we expect to drive accelerated growth over the medium-term.

In SOS, our Classic Aero product delivered revenue growth of 15.2% to \$41.8m in 2017, (2016: \$36.3m), with an increase in number of total aircraft to 9,224 (2016: 8,951) and as a result of higher ARPA, which increased to \$380 per month, from \$338 per month in 2016, reflecting higher customer airtime usage.

Revenue in our other legacy products in our core business decreased slightly to \$11.0m in 2017 (2016: \$12.4m).

IFC PERFORMANCE IN 2017

IFC revenues, comprising our SwiftBroadband-based IFC services for commercial aviation, as well as our GX Aviation services for IFC, grew by \$33.2m to \$62.5m in 2017.

AVIATION BUSINESS RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue	195.0	142.6	36.7%
Direct costs	(26.1)	(3.2)	715.6%
Gross margin	168.9	139.4	21.2%
Indirect costs	(65.5)	(42.0)	56.0%
EBITDA	103.4	97.4	6.2%
<i>EBITDA margin %</i>	53.0%	68.3%	–
Cash capex	130.9	153.0	(14.4%)

	Year ended 31 December			
	Core		IFC	
	2017 \$m	2016 \$m	2017 \$m	2016 \$m
Revenue	132.5	113.3	62.5	29.3
Direct costs	(1.0)	0.0	(25.1)	(3.2)
Gross margin	131.5	113.3	37.4	26.1
Indirect costs	(9.8)	(10.0)	(55.7)	(32.0)
EBITDA	121.7	103.3	(18.3)	(5.9)



36.7%

REVENUE GROWTH DELIVERED
BY OUR AVIATION BUSINESS
IN 2017

Our SwiftBroadband-based IFC services in commercial aviation, delivered revenue growth of 41.6% to \$39.0m in 2017 (2016: \$27.6m). This growth was driven by increased usage by a number of key customers during the year, with around 900 active aircraft currently using the service. Over the medium term, we expect to transition a portion of these customers onto GX for Aviation IFC services.

A substantial number of airlines signed up for the provision of GX for Aviation IFC services during 2017, including Qatar Airways, Avianca, AirAsia, Philippine Airlines and Air Astana, and we now have over 1,300 aircraft expected under signed contracts for IFC services, (2016: 950 aircraft), with around 3,000 aircraft in our new business pipeline.

During the year, several customers made progress with their GX terminal installation programmes, including Deutsche Lufthansa Group, and we continue to support them in preparation for active service. There were 194 GX-installed aircraft across a number of our customers at the end of 2017 (from 20 at the end of 2016 – all of which are directly related to Lufthansa). Consequently, \$23.6m of GX-related IFC revenue was generated in 2017, (2016: \$1.6m). The vast majority of this revenue was relatively low margin installation revenue.

The complementary ground component of the EAN is now complete, and we are working to activate aircraft for trials, with European roll-out of the service expected to take place into 2019. We now have substantially all the required regulatory authorisations for this phase.

AVIATION COSTS, MARGINS AND CAPEX

Direct costs in our Core business remained fairly immaterial at \$1.0m in 2017, given the dynamics of this business (which are based on the sales of airtime through partners and resellers). Indirect costs in the Core business remained stable at \$9.8m, with EBITDA increasing to \$121.7m during the year (2016: \$103.3m), reflecting revenue growth and related operational gearing in that business.

In IFC, direct costs increased to \$25.1m in 2017 (2016: \$3.2m), as a result of additional lower margin GX installation revenues being added to the revenue mix. Indirect costs in IFC increased by \$23.7m to \$55.7m, due to increased headcount and other overhead costs associated with the pursuit and delivery



Safety in the skies

Over the last 15 years, global air transport passenger levels have soared from 1.6 billion to 3.8 billion*. That's only been possible because satellite communication in the cockpit has enabled airlines to safely put more planes in the sky at any one time and open up more routes.

Improved Air Traffic Control ('ATC') and operational benefits such as better fleet management and increased efficiency have saved the airline industry an astounding \$3bn* over that time.

With passenger numbers predicted to double by 2035, Inmarsat is transforming aviation connectivity again. SwiftBroadband-Safety offers high-speed, secure IP connectivity globally to further optimise flight operations and support a host of new safety applications – as well as delivering even more savings for the industry.

* Source: inmarsataviation.com/benefits/heliosstudy

of the major growth opportunities in IFC. Consequently, EBITDA in IFC, during the current phase of investment in market capture and delivery, declined to \$(18.3)m (2016: \$(5.9)m).

EBITDA for the overall Aviation business increased by \$6.0m, 6.2%, in 2017, with EBITDA margin declining to 53.0% in the year, from 68.3% in 2016, reflecting the changing revenue mix and higher indirect costs in IFC.

We continue to believe that Aviation EBITDA margins will remain negatively impacted in the short term by our efforts to build our market position in IFC. Revenues will initially be low margin installation revenues rather than higher margin air time revenues, as we drive equipment installation programmes for certain customers. In addition, indirect Aviation costs will continue to rise in the short term (albeit more slowly than in 2016 and 2017) as we continue to invest in IFC market capture and delivery.

However, over the medium-term we expect IFC margins to rebuild as higher margin airtime revenues come to the fore and as our indirect costs to support the business stabilise in support of a business that can then scale.

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

Cash capex decreased by \$22.1m in the year, as a result of significant infrastructure investment in the S-band satellite in Q4 2016, ahead of its launch in Q2 2017.

1 SwiftBroadband and Classic Aero usage figures, including ARPU, previously based on number of SIMs, not aircraft



Mining pipeline – Live update



BUSINESS OVERVIEW

ENTERPRISE



We remain optimistic about the long-term future demand for M2M connectivity in the emerging global IoT market

MAKING A DIFFERENCE IN DEVELOPING INFRASTRUCTURE TRANSFORMING EFFICIENCY AND OPERATIONS – MANAGING BRAZIL'S RAILWAYS

The ability to connect people and things has never been so important. Developing countries are building the infrastructure required to support their economic growth. In Brazil, Valec is building the North-South railway line to enable the movement of valuable commodities along the entire length of the country. To successfully deliver this colossal project, Valec needed a better way to control the flow of traffic and operations while the partially in-use line was completed.

Inmarsat partner Globalsat has installed BGAN terminals in rail vehicles so the central operations centre can use GPS tracking to pinpoint their location and talk to the drivers on push-to-talk radio handsets anywhere and at any time, thanks to Inmarsat's highly reliable L-band satellite network. The ability to react quickly will improve safety and efficiency both during construction and once the line is fully operational, helping power Brazil's economic growth.

REVENUE

\$132.6m



EBITDA

\$91.9m



NUMBER OF CONNECTED M2M TERMINALS

358,000



NUMBER OF CONNECTED GPS TERMINALS

180,000



BUSINESS OVERVIEW – ENTERPRISE CONTINUED

We expect satellite services to play a substantial role in delivering global IoT applications in the future

MARKET OUTLOOK

The emerging digital society will depend for its success on connectivity as a critical enabler – but the networks needed to support new digitally enabled environments such as smart cities, intelligent transport systems, energy systems, clean water, agriculture, e-logistics, tele-medicine and e-government, will need pervasive coverage across the whole of society, incredible network reliability and resilience as well as a range of specialist services such as broadcast services and precision navigation.

These features demand an enhanced role for satellite communications and we believe that our small-form factor, cheap, agile, resilient and global L-band services are perfectly tailored for these needs.

The ability of satellite services to extend the range of terrestrial networks and to narrow the digital divide, to enhance resiliency and redundancy (especially cyber resilience) and to provide a range of unique complementary capabilities such as broadcast services and precision navigation services is expected to drive significant medium to longer-term growth opportunities for Inmarsat, especially in commercial segments such as mining and construction, logistics and transportation, smart cities and smart agriculture.

In recent years, Inmarsat has successfully established a land-based commercial mobile satellite services business focused on providing highly portable satellite communications services to remote communities and/or for use when terrestrial networks are not available, for example, in diverse sectors such as first response, media, aid, mining and construction and other areas.

Whilst this is still at a very early stage of development and it will take some considerable time to position and scale our IoT products and services for substantial new revenue growth, we are confident in the long-term potential for our business in this area. In particular, we expect significant new growth potential over the medium-term to arise from emerging new market opportunities associated with the 'digital society' and/or global 5G deployments, including IoT.

M2M – A MAJOR FOUNDATION FOR FUTURE GROWTH

Our position in Machine-to-Machine ('M2M') connectivity continues to provide us with a strong foundation from which to nurture and grow potential development opportunities around 'Internet of Things' applications.

During the year, in line with our drive to maximise this opportunity, we made a small minority investment in Actility, an IoT solutions specialist, following our recently established partnership with them to extend the reach of our satellite networks through the addition of a Low Power Wide Area Network extension for IoT applications globally.

Inmarsat continues to play a role in the LoRa Alliance, which is dedicated to developing a global standard for IoT. The LoRa Alliance was founded by industry leaders across the industry to help enable IoT, M2M, smart city and industrial applications. Inmarsat aims to provide the LoRa ecosystem with satellite connectivity to enable the deployment of solutions anywhere an object or device needs to be connected.

In addition, we gained further traction in facilitating the deployment of IDP services, in response to the growth in mission critical IoT applications which is driving demand for connectivity with unprecedented reach, range and reliability on a global basis.



9.5%

REVENUE GROWTH
IN M2M

ENTERPRISE BUSINESS RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue	132.6	144.6	(8.3%)
Direct costs	(23.4)	(18.8)	24.5%
Gross margin	109.2	125.8	(13.2%)
Indirect costs	(17.3)	(19.9)	(13.1%)
EBITDA	91.9	105.9	(13.2%)
<i>EBITDA margin %</i>	69.3%	73.2%	–
Cash capex	–	0.4	–

2017 PERFORMANCE

In 2017, Enterprise revenues declined by 8.3% in the year, as a result of ongoing market pressures.

Revenue in our Broadband Global Area Network ('BGAN') product declined by 8.0% to \$27.8m in the year. Satellite phone terminal sales and airtime revenues were also down, falling 10.0% to \$30.8m.

Whilst both product lines benefited from the short term impact of hurricane-related activity during Q3, they continue to be negatively impacted by an increasingly competitive market environment, particularly from land-based Ka-band and Ku-band and cellular alternatives.

Fixed-to-mobile revenues decreased by 29.1%, \$16.6m, during the year, reflecting a continued decline of satellite-based voice products, partly driven by an ongoing migration to Voice over IP.

M2M revenue increased by 9.5% to \$18.3m during the year, with the number of connected M2M terminals increasing to over 358,000 by the end of the year, highlighting continued strong demand for M2M in commercial applications.

Direct costs increased by \$4.6m, 24.5%, in 2017, as a result of a change in revenue mix, whilst indirect costs reduced by \$2.6m, 13.1%, in the year. As a result of the increase in direct costs, EBITDA was down by \$14.0m, 13.2% in 2017. Consequently, EBITDA margin declined to 69.3% in 2017.



Disaster relief communications

When natural disasters strike, the frequent loss of terrestrial networks hampers attempts to get help to victims fast. Establishing reliable communications is essential to coordinating relief efforts and keeping emergency responders safe in dangerous, sometimes hostile environments.

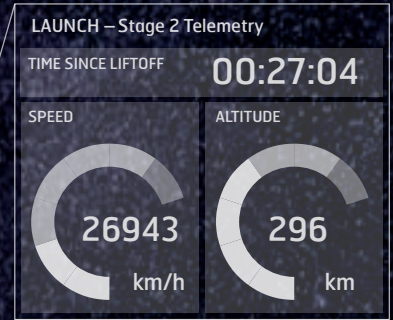
Team Rubicon unites the skills and experience of military veterans with first responders, rapidly deploying teams to communities across the globe affected by disasters. Inmarsat has transformed the organisation's ability to channel their resources and maximise their impact by providing a whole raft of satcom services – IsatPhone 2 satellite phones and IsatData Pro to keep in touch with and track teams on the ground; BGAN and Global Xpress to transmit situational reports and video. When the 2017 hurricane season opened with three catastrophic storms in quick succession, and Mexico City suffered a 7.1 magnitude earthquake, Team Rubicon ran up to 15 simultaneous operations – without a single lost connection.



WE CONTINUE TO ESTABLISH A STRONG
LAND-BASED SATELLITE COMMUNICATIONS
NETWORK TO REMOTE COMMUNITIES



SATELLITE INFRASTRUCTURE



ENSURING OUR NETWORKS SERVE OUR CUSTOMERS' NEEDS AND ARE AVAILABLE 24/7

ORGANISATIONAL INFRASTRUCTURE

GROUND INFRASTRUCTURE

99.9%

L-BAND NETWORK AVAILABILITY



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 satellite and ground infrastructure, and manages the design, build and launch of our new satellite networks.

Our L-band satellite networks, through eight 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, military and enterprise-level users whose operations require mission and business critical communications support.

The Inmarsat-6 replacement 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. Our fourth GX satellite, launched in 2017, provides in-orbit redundancy and additional capacity and

capabilities to deploy into new regional growth opportunities. 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.

In addition, we continue to take action to ensure that the organisation's resources are optimally balanced for future growth. For example, in Q4 2017, we initiated a headcount reduction programme implemented in Q4 2017 to reduce our legacy costs, with associated one-off costs of \$19.9m, ensuring that we have the capacity to invest in new skills to support the future growth of the business. Actions such as this will help to provide a strong backbone to support the growth of the business in the future.

Revenue from Ligado for the year increased by \$7.3m. \$5m of the yearly increase is attributable to deferred income recognised. In total, \$16.0m (2016: \$11.0m) of deferred income was recognised during the year with the majority reflecting the impact of the revenue deferral arising under the revised transition agreement finalised in 2016.

At 31 December 2017, the Group held \$181.8m of deferred revenue on the balance sheet in respect of expected costs of implementation of this agreement. There have been no other developments in respect of this agreement in the period.

LIGADO NETWORKS

The lack of visibility over the cash payments from Ligado beyond the end of 2018 continues. Contractually, payments from Ligado will pause in 2019 and then resume in 2020 at c. \$136m per annum, growing thereafter at 3% compound over the next 99 years. Should Ligado obtain its licence from the Federal Communications Commission in 2018, there would be no pause in 2019. Any payments not made in 2019, together with payments deferred between 2016 and 2018 (approximately \$35m) will be due for payment by Ligado with interest at the earlier of commissioning their network or 30 June 2021.

Whilst the outlook for Ligado remains uncertain there are many ways in which the Ligado position could evolve positively for the Group. Ligado has been through bankruptcy once already with Inmarsat's contract enduring this event as without that contract, Ligado's stated business model and potential high market value are not viable. Whilst Inmarsat will continue to adopt a prudent approach to Ligado in its financial planning, the Group's contract provides material possible upside value.

CENTRAL SERVICES COSTS AND CAPEX

Direct costs increased by \$13.6m to \$16.7m in 2017, mainly as a result of increased leasing costs.

Indirect costs increased by \$55.3m in the year, due to higher underlying central operational delivery costs of \$41.9m in 2017, relating to increased expenditure on the GX network and our operational capabilities including Cyber and IT.

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

Central Services capital expenditure in the year increased by \$204.9m, due to further expenditure on GX, including initial investment in the design and build programme for the 5th GX satellite and I-6 satellite infrastructure, as well as further investment in organisational capability.

CENTRAL SERVICES RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue			
Ligado Networks	126.7	119.4	6.1%
Other	14.5	16.6	12.7%
Total revenue	141.2	136.0	3.8%
Direct costs	(16.7)	(3.1)	438.7%
Gross margin	124.5	132.9	(6.3%)
Indirect costs	(275.5)	(240.2)	14.7%
Adjusted EBITDA	(151.0)	(107.3)	(40.7%)
Restructuring	(19.9)	-	
EBITDA	(170.9)	(107.3)	(59.3%)
Cash capex	414.5	209.6	97.8%

CHIEF FINANCIAL OFFICER'S REVIEW

Building a strong financial platform

HIGHLIGHTS

5.4%

INCREASE IN GROUP REVENUE

(5.5)%

DECREASE IN ADJUSTED EBITDA

- > Adjusted EPS of 0.42 cents
- > Net debt to EBITDA of 2.8x
- > Nearly \$1bn of liquidity

Inmarsat's financial results in 2017, in particular the delivery of further revenue growth during the year, supported by our ongoing focus on ensuring the Group maintains a strong and flexible balance sheet, helped us to further develop a strong platform for future growth

TONY BATES
CHIEF FINANCIAL
OFFICER



GROUP RESULTS

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Revenue			
Satellite services	1,273.5	1,209.6	5.3%
Ligado	126.7	119.4	6.1%
Total revenue	1,400.2	1,329.0	5.4%
Direct costs	(207.0)	(145.6)	(42.2%)
Gross margin	1,193.2	1,183.4	0.8%
Indirect costs	(441.8)	(388.6)	(13.7%)
Adjusted EBITDA	751.4	794.8	(5.5%)
<i>Adjusted EBITDA margin %</i>	53.7%	59.8%	–
Restructuring	(19.9)	–	–
EBITDA	731.5	794.8	(8.0%)

GROUP RESULTS

Group revenues increased in 2017 by \$71.2m mainly driven by the growth in Aviation, as well as Government.

In 2017, direct costs increased by \$61.4m, rising faster than revenues, in response to the changing revenue mix across the business, particularly as we sought to capture share in key markets, including the addition of installation revenues in Aviation (with related direct costs up \$22.9m in the year), a higher level of equipment sales in Maritime and the continued ramp-up of the CSSC contract in Government. In addition, in Central Services, there were higher costs, mainly related to capacity leasing.

Indirect costs in the year grew by \$53.2m, reflecting increased IFC capability in Aviation (an increase of \$23.5m in 2017) and higher central operational delivery costs (an increase of \$41.9m in 2017), but a reduction of \$12.2m in indirect costs elsewhere in the business, reflecting tight cost control more generally.

In addition, a headcount reduction programme was implemented in Q4 2017, with an associated one-off cost of \$19.9m, to reduce our legacy costs, ensuring that we have the capacity to invest in new skills to support the future growth of the business. As a result of the above, Adjusted EBITDA in 2017, decreased by \$43.4m from the prior year, and Adjusted EBITDA margin decreased to 53.7%, from 59.8% in 2016.

OPERATING PROFIT

As noted above, the one-off costs associated with the headcount reduction programme reduced operating profit in 2017. In addition, depreciation and amortisation for 2017 increased by \$57.3m

due to the I-5 F4 and S-band satellites coming into commercial service in the fourth quarter of 2017. As a result of these factors, and lower Adjusted EBITDA, operating profit for 2017 decreased by \$125.6m compared with 2016.

NET FINANCING COST

On an underlying basis net financing costs increased by \$13.1m from \$86.3m in 2016 to \$99.4m in 2017 due to the higher average level of borrowings during the year.

On a reported basis net financing costs for 2017 decreased by \$56.2m to \$91.7m with the underlying \$13.1m increase in net financing more than offset by the impact on the income statement of the 2017 and 2023 Convertible Bonds. There was a net credit of \$7.7m in 2017 due to a decrease in the unrealised conversion liability on the 2023 Convertible Bond (2016 charge of \$28.8m) driven by a fall in the convertible bond price over the period (see note 9). In addition, in 2016, a \$32.8m one-off charge was recognised relating to the redemption of the 2017 convertible bonds.

TAXATION

The tax charge for 2017 was \$47.5m, a decrease of \$8.3m compared with 2016. This decrease is largely driven by the reduced profit in 2017.

The effective tax rate for 2017 was 20.7% (2016: 18.6%) compared to an average statutory rate for the UK for 2017 of 19.25% (2016: 20%). The higher effective tax rate is largely due to the revaluation of U.S. related deferred tax assets driven by the reduction in the U.S. Federal tax rate from 35% to 21% in Q4 2017; the impact of this was \$9.8m. This deferred tax cost is partially offset by the beneficial impact of the unrealised conversion liability on the convertible bonds

which is not taxable. In 2016, the effective tax rate was impacted by the revaluation of the deferred tax liabilities due to a reduction in the UK tax rate from 18% to 17% from 2020.

The underlying effective tax rate for the year (after removing the impact of the unrealised conversion liability on the convertible bonds and the revaluation of deferred tax balances) was 15.7% (2016: 19.4%). This relatively low rate and improvement on 2016 is largely due to the benefits from the Patent Box regime in the UK secured earlier this year which results in some profits being taxed at 10%, rather than the statutory rate of 19.25%.

PROFIT AFTER TAX

Profit After Tax ('PAT') declined by \$61.1m in the year, mirroring the decrease in EBITDA of \$63.3m. The increase in depreciation of \$57.3m was offset by the decrease in net financing costs of \$56.2m.

Adjusted PAT, which excludes the impact on the income statement of the convertible bonds and the restructuring charge of \$16.1m, declined by \$107.7m in 2017. This decline largely reflects the \$43.4m reduction in EBITDA (before restructuring) and the \$57.3m increase in depreciation with the remaining reduction due to the increase in the underlying net financing costs of \$13.1m offset by the lower taxation charge.

EARNINGS PER SHARE

Adjusted basic and diluted earnings per share, excluding post-tax restructuring costs, the post-tax impact of the early repurchase of the 2017 Convertible Bonds and the change in the fair value of the conversion liability component of the new 2023 Convertible Bonds were 42 and 41 cents respectively, compared with 65 and 64 cents respectively in 2016.

Basic and diluted earnings per share, including the elements outlined above, for profit attributable to the equity holders of the Company were 40 cents compared with 54 cents and 53 cents respectively in 2016.

RECONCILIATION OF EBITDA TO PROFIT AFTER TAX

	Year ended 31 December		
	2017 \$m	2016 \$m	Change
Adjusted EBITDA	751.4	794.8	(5.5%)
Restructuring charge	(19.9)	–	–
EBITDA	731.5	794.8	(8.0%)
Depreciation and amortisation	(406.7)	(349.4)	16.4%
Other	(3.3)	1.7	(294.1%)
Operating profit	321.5	447.1	(28.1%)
Net financing costs	(91.7)	(147.9)	38.0%
Taxation charge	(47.5)	(55.8)	14.9%
Statutory profit after tax	182.3	243.4	(25.1%)
Addback of change in fair value of derivative (2023 convertible bond)	(7.7)	28.8	126.7%
Addback, post-tax, of cost of early redemption of 2017 convertible bond	–	26.2	–
Addback restructuring charge after tax	16.1	–	–
Adjusted profit after tax	190.7	298.4	(36.1%)

CHIEF FINANCIAL OFFICER'S REVIEW

CONTINUED

GROUP BALANCE SHEET

The table opposite shows the condensed consolidated Group Balance Sheet.

The increase in the Group's non-current assets of \$269.4m is largely due to our ongoing investment in new technology and infrastructure, including GX, the S-band programme and the I-6 constellation, less depreciation of existing assets in service.

The net decrease in current assets of \$153.2m is due to a decrease in short-term deposits which have been used to fund additional capital investment in the business. The increase in current liabilities of \$115.6m to \$864.5m (2016: \$748.9m) largely relates to an increase in trade and other payables of \$76.3m to \$584.5m (2016: \$508.3m) which were impacted by the timing of the settlement of trade payables at the end of the year. The balance of the increase is due to the combination of a draw down in the Ex-Im Facilities of \$78.4m, which increased current borrowings by \$21.8m, and an increase in provisions of \$14.3m relating to the headcount reduction programme implemented in the fourth quarter.

There has been a decrease in non-current liabilities of \$14.4m to \$2,839.7m (2016: \$2,854.1m). This is primarily driven by a decrease in derivative financial instruments of \$25.7m reflecting a reduction in the unrealised conversion liability on the convertible bonds and a decrease in other payables of \$16.5m due to the settlement of a long-term creditor. These reductions are partially offset by an increase in deferred tax liabilities of \$29.0m due to higher capital allowances.

CASH FLOW

During the year, free cash flow decreased by \$233.3m, mainly due to lower cash generated from operations (\$31.1m), higher capital expenditure (\$185.8m) and higher cash interest paid (\$32.2m) as a result of the refinancing in Q3 2016.

The change in working capital has improved by \$26.8m, driven by the timing of supplier payments in Q4 but also by tighter management of inventory and more timely collection of receivables.

Cash tax paid decreased to \$19.8m (2016: \$35.6m) due to lower UK profits and a tax refund relating to an overpayment in 2016. Cash tax was \$27.7m lower than tax charged in the income statement due mainly to the \$9.8m impact of the revaluation of the Group's U.S. deferred tax asset following the reduction in U.S. Federal tax rates.

GROUP BALANCE SHEET

	At 31 December	
	2017 \$m	2016 \$m
Non-current assets	4,101.5	3,832.1
Current assets	858.0	1,011.2
Total assets	4,959.5	4,843.3
Current liabilities	(864.5)	(748.9)
Non-current liabilities	(2,839.7)	(2,854.1)
Total liabilities	(3,704.2)	(3,603.0)
Net assets	1,255.3	1,240.3

CASH FLOW¹

	Year ended 31 December	
	2017 \$m	2016 \$m
EBITDA	731.5	794.8
Non-cash items	19.8	14.4
Change in working capital	23.1	(3.7)
Cash generated from operations	774.4	805.5
Capital expenditure	(598.7)	(412.9)
Net interest paid	(114.7)	(82.5)
Tax paid	(19.8)	(35.6)
Free cash flow²	41.2	274.5
Dividends paid to shareholders	(202.9)	(228.5)
Other movement including foreign exchange	(4.7)	7.4
Net cash flow	(166.4)	53.4
Decrease in cash from/to transfer from short-term deposits with maturity >3 months	53.1	(395.0)
Increase/(decrease) in cash from borrowings	(3.6)	428.4
Net increase/(decrease) in cash and cash equivalents	(116.9)	86.8
Cash and cash equivalents		
At beginning of the period	261.5	174.7
Net increase/(decrease) in cash and cash equivalents	(116.9)	86.8
At end of the period (net of bank overdrafts)	144.6	261.5
Opening net borrowings³	1,894.8	1,985.8
Net cash flow	166.4	(53.4)
Non-cash movements ⁴	17.4	(37.6)
Closing net borrowings³	2,078.6	1,894.8

¹ Cash flow outlined in this table is non-statutory

² Free cash flow has been defined in note 2 of the financial statements

³ 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

⁴ Non-cash movements relate to the amortisation of deferred financing costs



BASED ON CURRENT MANAGEMENT PLANS,
INFRASTRUCTURE CAPEX IS EXPECTED
TO MEANINGFULLY MODERATE AFTER 2020

CAPITAL EXPENDITURE

	Year ended 31 December	
	2017 \$m	2016 \$m
Major infrastructure projects ¹	423.5	279.2
Success-based capex ²	96.6	78.8
Other capex ³	115.2	92.1
Cash flow timing ⁴	(36.6)	(37.2)
Total cash capital expenditure	598.7	412.9

- 1 Major infrastructure projects capex consists of satellite design, build and launch costs and ground network infrastructure costs
 2 Success-based capex consists of capital equipment installed on ships, aircraft and other customer platforms
 3 Other capex investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs
 4 Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, includes capitalised labour costs and excludes capitalised interest

CAPITAL EXPENDITURE

The increase in capital expenditure on major infrastructure projects in 2017 relates to continued investment in the GX and I-6 satellite infrastructures. Success-based capex also increased in 2017 driven by the acceleration in the installation of GX terminals in Aviation and Fleet Xpress in Maritime. Other capex investment also increased during the year, driven by investment in ongoing infrastructure maintenance, IT and new product and service development.

FUTURE GUIDANCE

We are targeting mid-single digit percentage revenue growth (excluding Ligado) on average over the next five years, with EBITDA and free cash flow generation (both excluding Ligado) expected to improve steadily as a result of the combined impact of this growing revenue base, an improved revenue mix, tightly managed overhead costs and new, lower cost, satellite technologies being implemented that we expect to drive a meaningful moderation in our annual infrastructure capex over the medium-term.

Specific financial guidance for the future performance of the business is as follows:

- **Group revenue:**
 - 2018 revenue, excluding Ligado, of \$1,300m to \$1,500m (unchanged)
 - Annual GX revenues at a run rate of \$500m by the end of 2020 (unchanged)
- **Group capex:**
 - Over 2018 to 2020, we expect that capital expenditure will be within a range of \$500m to \$600m per annum
 - Based on current management plans, infrastructure capex is expected to meaningfully moderate after 2020 as we bring to bear our next generation network augmentation plans and become increasingly driven by IFC revenues

- **Group leverage:**
 - Net Debt: EBITDA to normally remain below 3.5x (unchanged)

DIVIDEND

In the course of 2017, and in particular during the second half of 2017, two factors have become more important, specifically:

- The lack of visibility over future cash payments from Ligado Networks beyond the end of 2018; and
- The increasingly clear opportunity that exists for Inmarsat in the fast-growing and substantial IFC segment in Aviation

Given these factors, and the Board's requirement to ensure that the Group has sufficient financial resources to support delivery of a leading position in IFC through the current infrastructure investment period, the Board has taken a decision to reduce the annual dividend to 20 cents per share.

The annual dividend is expected to stay at these levels until the cash flow of the business rebuilds sufficiently to make an increase appropriate, having regard to the level of investment required to pursue attractive opportunities for sustained long-term profitable growth, to providing competitive returns to our shareholders and to the capital structure of the business. It should be noted in this context that the Group has a long, established track record of paying substantial dividends, having returned over \$2.1bn to shareholders since our IPO in 2005.

The Board will propose to shareholders a 2017 final dividend of 12.00 cents per share, based on the reduced annual level of dividend of 20 cents per share and Inmarsat's historic allocation of 60% of the full year dividend to the final dividend. Added to the interim dividend already paid of 21.62 cents per share, the total dividends paid and proposed in respect of the year ended 31 December 2017 will be 33.62 cents per share.

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 63m shares (13.9% of the then issued share capital) with an issue value of \$13.7m. These shares were issued on 20 October 2017. Inmarsat plc now has 457,659,212 shares in issue.

The dividend is to be paid on 25 May 2018 to ordinary shareholders on the share register at the close of business on 20 April 2018. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting on 2 May 2018. 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 2017 final dividend is not recorded as a liability in the financial statements at 31 December 2017.

IFRS 15 AND IFRS 16

Inmarsat will be adopting IFRS 15 and 16 for the financial year ending 31 December 2018.

The primary impact of IFRS 15 will be in Maritime and Aviation where revenue and costs related to equipment installation will now be spread over the length of the contract, rather than being recognised at the time of installation. This is expected to have a marginal negative impact on revenue, whilst capital expenditure and EBITDA are both expected to increase slightly, given that installation costs will be capitalised going forward.

IFRS 16, which Inmarsat is adopting a year early to avoid restatements impacting in two successive years, requires vehicles and properties to be accounted for as 'right-of-use assets'. This is expected to have a small positive impact on EBITDA, due to lease costs being reclassified as depreciation and interest.

GROUP LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2017, the Group had cash and cash equivalents of \$144.9m and available but undrawn borrowing facilities of \$500.5m under our Senior Credit Facility.

TONY BATES
CHIEF FINANCIAL OFFICER

9 March 2018

RESOURCES AND RELATIONSHIPS

Delivering a positive impact

The Board believes corporate and social responsibility is an important part of the Group's culture and the adoption of good practice will have a positive impact on the business

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 our shareholders.

This section of our Annual Report is prepared in accordance with the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Here we provide information of Inmarsat's development, performance and position and the impact of our activity relating to environmental matters, employees, social matters, respect for human rights and anti-corruption and anti-bribery matters. More information relating to these activities can be found on the CSR and investor relations sections of our website.

Inmarsat is committed to improving its transparency in these areas and, as a result, responded to the RobecoSAM Corporate Sustainability Assessment for the first time in 2017.

MATERIALITY

Inmarsat recognises that its non-financial information statement should reflect a fair view of the information required by stakeholders and therefore we have conducted a materiality assessment to ensure that we are reporting on material disclosures in a clear and balanced way.

As part of this materiality assessment, we have engaged with a number of external and internal stakeholders throughout 2017 including a number of employees, customers, suppliers and shareholders. A summary of the key focus areas for the output is shown above.

We held stakeholder interviews and sent out quantitative surveys to understand the level of stakeholder concern regarding a wide

KEY STAKEHOLDER RESPONSES (INTERNAL AND EXTERNAL)

	Value (rated out of 5)	
	Internal	External
Cyber security	5.0	5.0
Access to services	5.0	4.7
Fair labour standards	5.0	4.4
Customer privacy	4.6	4.7
Internal training and investing in people	5.0	4.1
Environmental impact of space debris	4.5	4.6
Satellite launches	4.6	4.4
Anti-bribery and corruption	4.6	4.3
Equal opportunities, diversity and outreach activities	4.6	4.3
Intellectual property rights	5.0	3.8

range of sustainability issues ranging from the importance of charitable giving to cyber security. The analysis of this has informed the content included within this report and we have utilised the Global Reporting Initiative ('GRI') framework to structure a number of our disclosures. Our GRI Content Index can be found on the CSR section of our website. We will continue to engage with our stakeholders on an ongoing basis.

OUR PEOPLE

Building a high-performance organisation continued to be at the heart of our activity in 2017. The launch of a comprehensive People Strategy ensured sustained focus and progress on developing our people and our culture to ensure Inmarsat is an engaging and inspiring place to work, where everyone can be their best.

We believe that the key to sustained performance lies in the quality of our leaders and managers and this year we devoted much effort in developing leaders at all levels in the business, from the Executive Team to more junior managers. This involved the delivery and execution of a range of activities from tailored leadership development programmes, face-to-face and online training and development, the creation of a 2018 commercial curriculum for senior leaders, and a bespoke RADA programme for senior women. This leadership work was underpinned by the development of a comprehensive talent framework, created through the insights gained from a formal assessment programme that has supported the identification

of our key talent, which in turn has informed our succession planning and individual development plans.

More broadly we have focused on enhancing our people's performance. Following a wide-ranging review of our current performance management process, and reviewing external best practice, we have redefined our performance management process and principles and have outlined a new 'Be Your Best' approach that will be launched in early 2018. Alongside this, we have redefined our total reward philosophy approach for launch also in 2018.

The HR team has also continued its own transformation journey to delivering excellence for the organisation it serves. Core systems capability has been enhanced, we have rationalised our payroll process, launched a new 'people portal' and moved to a more direct model of resourcing saving \$1.7m (April 17 to year end).

We also continued to build an effective organisation, and in the autumn we consulted on and implemented organisational changes that rebalanced the mix of skills and capabilities we have across the global organisation to ensure we have a firm platform for growth.

CULTURE AND VALUES

2017 also saw us develop our employee value proposition framework and roadmap for launch in 2018, underpinned by insights gathered from global focus groups and our quarterly 2017 People Pulse survey, which launched in January. These have provided rich feedback to understand what our people really value about working at Inmarsat, what motivates, inspires and engages them. In response to this insight and feedback we have continued to extend our employee offer with a number of initiatives such as a new approach to flexible working, building our communications and engagement capability and an expanded learning and development offer.

A key pillar of our transformation will be the company-wide culture change programme that we launched to our global senior leaders community in the autumn. This work will help to ensure that we all embrace behaviours and ways of working which support the delivery of excellent business performance and help us to become a high-performance organisation.

COMMUNICATIONS AND ENGAGEMENT

Two-way open communications are an important part of creating an engaging and inspiring culture. We continued to build our group internal communications capability this year, supporting a rich mix of activities that provided opportunities for our people to connect with our vision and strategy, brand and culture and to share their feedback.

More formally we maintained our engagement with elected employee forums in the UK and Batam in Indonesia, a Works Council in the Netherlands and an Enterprise Agreement in Perth, Australia. In 2017 meetings between the Executive Team and the UK Staff Forum were set quarterly, facilitating open and honest communications and two way engagement. Some of these meetings were also extended to include global representation.

In support of the organisational changes announced in the autumn and in accordance with legislation and their role as elected representative staff bodies, the UK Staff Forum and the Netherlands Works council were called upon to engage in a formal consultation process. We were very appreciative of their professionalism and willingness to take on an additional workload and work with management on this.



Télécoms Sans Frontières ('TSF')

In 2000, Inmarsat became the first official partner of Télécoms Sans Frontières (TSF), an organisation that responds to the critical need for reliable emergency telecommunications services following conflicts or natural disasters. Since then, Inmarsat and TSF have covered 158 emergency deployments in 72 countries, delivering 1.3 million calls during more than 10,500 days in the field. Assistance provided by TSF to 830 humanitarian organisations, governments and UN agencies has facilitated the aid brought to several million people across the globe. Inmarsat and TSF work together to ensure telecommunications support is established as soon as possible in an emergency, as well as providing training in areas frequently affected to ensure that in the long-term locals can use the equipment if another crisis strikes.

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 is published on our website.

We comply with local laws where we operate and, in 2017, 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 tax.

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 Directors, 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 separate 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.

We ask Directors, employees and contractors to confirm they understand these policies and how they are applied, once a year through the online training platform Nebula reaching our global employee base of around 2,000.

RESOURCES AND RELATIONSHIPS CONTINUED

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 2017.

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 2017 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. Moreover, no employees have been dismissed or disciplined for corruptions 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.

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

DIVERSITY

In this age of digital evolution we require new levels of innovation and creativity, which we believe are greatly enhanced by diversity of all forms and we are very proud that we have 65 different nationalities within the Inmarsat Group.

In addition, our core purpose as an organisation is to enable the connected world, and in delivering our purpose we provide connectivity to an increasingly international and diverse customer base. In doing so we want to make sure that we reflect the society we serve. Not only is this the right thing to do, we also believe that doing it well will support the building of long-term relationships which in turn drive long-term business success.

Creating a great work place with an inclusive and diverse culture also helps to attract and recruit the best people, and engage and motivate our current employees.

To support our vision, we have developed a three-year Diversity and Inclusion plan with actions at multiple stages of the employee life cycle from attraction to recruitment to development, and there are a number of initiatives focused on 'life at Inmarsat' – creating and maintaining an engaging and inspiring place to work. Recent activities include: STEM Outreach initiatives, attracting female graduates via partnership with TARGETJobs, focused recruitment for experienced hires, mentoring, identifying high potentials and accelerating careers, targeted development programmes, introducing family friendly policies including flexible working, designing a new performance management approach with calibration to avoid unconscious bias, promoting external and internal role models, creating International Women's Day awareness and celebrations and hosting the International Women's Network.

When recruiting, we value diversity in its broadest definition and work to provide opportunities for all, including for disabled employees by reviewing the requirements of their working environment to accommodate practical changes as far as possible to allow them to continue in their daily work routine. If such changes were unrealistic to implement, we would review alternative employment options for the individual within the Group.

We do not tolerate discrimination in any form – race, gender, age, culture, nationality and disability – against our employees, either from other employees or third parties.

The gender split across the Group (excluding contingency workers) as at 31 December 2017 is illustrated in the following table.

	Male	Female
Diversity of plc Board	10	2
Diversity of Executive Management Board	9	3
Diversity of senior managers	74	17
Diversity of all other employees (excluding contingency workers)	1,155	480

The detail of females on the Executive Management Board and wider number of senior managers represent the definition as set out in the Department for Business, Innovation and Skills ('BIS') requirements. The data points set out above are in line with those disclosed last year.

Gender pay

We are committed to being a diverse and inclusive organisation where everyone can thrive. We encourage diversity, we need it to manage complexity and to deliver new levels of innovation and creativity demanded by the digital world. We are fully supportive of the drive to be more open and transparent about gender pay, and the focus this brings on driving improvements.

At April 2017, we had 756 employees in the UK, 69% of whom are men and 31% are women, compared to 75% male employees in a typical high-tech company*. Our analysis shows that overall the gap between men and women's earnings is 24.5% (mean) or 24.4% (median) based on hourly rates of pay at the snapshot date of 5 April 2017. Like many other technology companies our gap reflects our challenge to attract men and women in equal numbers. In fact, our analysis shows that if we had equal numbers of men and women at each organisational level, the gap would be reduced to 8.5%. This 8.5% differential itself is a reflection of the types of roles men and women are doing within Inmarsat – we typically have more men than women in disciplines such as engineering and business development, which tend to be higher paid in the market than functional roles where we tend to have more women. In encouraging our women in the workplace we equally look to offer the same opportunities to all employees.

Whilst there may be understandable reasons for the gap, we are keen to rectify the balance as part of our new diversity and inclusion strategy. The strategy has been developed to create an environment that supports women to thrive through flexible working practices to enhance their development and progression through mentoring and to help accelerate their careers

* Mercer 2016 Gender Pay in the UK High-tech Industry report

through high-potential programmes. It also includes our active involvement and commitment to STEM education programmes, the Digital Gender Divide and the UN Equals group.

EMPLOYEE ENGAGEMENT SURVEY

In January 2017 we launched a global quarterly employee engagement survey that provides our Executive Team and line managers with information and insight about how positive our people are across a range of engagement drivers. The survey is a dynamic and interactive tool enabling managers to monitor engagement and feedback from their teams and respond to anonymised comments. The average response rate was 82% over the course of the last three surveys and we have received thousands of comments, showing how engaged our employees have been with the survey. These comments have complemented quantitative data with more qualitative commentary. Group engagement score was 7.4/10.

LEARNING AND DEVELOPMENT

Having built strong foundations in the preceding few years, 2017 saw increased investment in learning and development initiatives across our global population. We also believe that our leaders and managers are key to the engagement, retention and development of our people, so leadership development continued to be a central focus. In addition to our existing leadership programmes we developed and rolled out 'The Practical Manager' – a new programme for managers to enhance their understanding of the philosophies, principles and policies for managing people at work, and launched 'Great Connections', a programme to improve the frequency and quality of career and performance development conversations between managers and the people in their teams. In addition, considerable focus was given to our Executive Team and Extended Leadership Team ('ELT') via a series of development events designed to develop highly skilled and cohesive senior leadership.

Inmarsat is an exciting, complex and evolving place to work, and so we value sharing knowledge and insights across the business to communicate, to educate, and to engage. We ran a series of Tech Talks to share compelling stories from our Chief Technology Office and continued to offer comprehensive training on Inmarsat's products and services for our staff as well as for our customers and end-users and also used the opportunity of these talks to raise other key changes in the business such as the new Global Data Protection Regulations. We also continued to run our Global Induction programme to educate and welcome our new joiners.



STEM – City and Islington College

Twenty five students successfully completed the annual Inmarsat Strategy Challenge, which aims to bridge the experience gap for high performing STEM students, through tackling complex, real world problems that the space sector is supporting. The students from City and Islington College's Sixth Form College and Centre for Applied Sciences were set the challenge of how to effectively respond to natural disasters using satellite communications.

We were delighted to launch the Learning Hub, our brand new platform for learning to provide global access to online training and learning interventions. Through the Learning Hub, our people can find resources to enhance a wide variety of skills: from presenting and public speaking to communication; managing performance to leading change; project management and much more.

We also see value in personalised learning, and so in addition to our corporate initiatives each business area carries its own budget for role-specific training and we provide support in the form of education sponsorship.

Two of Inmarsat's key principles are diversity and inclusion, and these are reflected in our attitude to learning and development. We encourage our people to find opportunities for growth in a range of resources and encourage people to think beyond the classroom. And when we are developing new learning programmes, those principles help to ensure growth opportunities reach all of our people, no matter where in the world they are located.

We monitor the cost efficiency of programmes to implement training and therefore monitor the business benefits of our training and employee development programmes.

HEALTH AND SAFETY

The Inmarsat plc Board receives an annual update on health and safety activity across the Group. Rupert Pearce, CEO, has been identified as having responsibility for health and safety issues within the Group and one of his 2018 objectives relates to ensuring there are appropriate health and safety measures in operation across the Group. 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 goal is to encourage strong leadership in championing the importance of and 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.

During the year we introduced a global policy on Electromagnetic Fields ('EMF') and there is active EMF monitoring across the Group.

We had 27 (2016:18) accidents or near misses reported, and again we had no fatalities.

RESOURCES AND RELATIONSHIPS CONTINUED

During the year we undertook the following activities:

- › 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 2018 framework
- › We reviewed our fire strategy at HQ with a view to continue this approach into 2018 for all sites
- › We introduced training for shift workers
- › Risk assessments continue to be a key focus of our business for different activities and legislative requirements
- › Mental health 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, was again supported by offices in all our key hubs
- › 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 Disability Discrimination Act

We continue to monitor the following health and safety priorities based on business activities and the potential harm to staff:

- › Musculoskeletal disorders and DSE (display screen equipment) related ill health
- › Working at height
- › Manual handling
- › Lone working

Specific training and awareness materials are provided to staff who are affected by these identified areas of work.

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.

In 2017, 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.

OUR SATELLITE AND GROUND NETWORKS

As part of our business of operating a global satellite network, we operate a number of ground earth 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.

SPACE DEBRIS

As a satellite operator, we have adopted the highest industry standards in terms of space debris mitigation, including 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.

OUR PARTNERS

Our partners are critical to our business success. Our definition of partners encompasses all those we work with – manufacturers, suppliers, distributors, service providers and end-users. We rely on their excellence to support the achievement of our business objectives and strengthen our service offering.

Our partners can provide local and global expertise which supplement our own capabilities.

The roll-out of our Streamline Programme for customers is well underway. The Streamline Programme encompasses updated terms and conditions and agreements for our partners which can be accessed through a partner portal which contains service and product information as well. Many of our key customers have transitioned to this new way of working. Additionally, all new customers are using the Streamline Programme as standard. This roll-out will continue into 2018.

The Global Procurement team has been working to understand its suppliers much better during the year. This has led us to undertake a rationalisation of our supply-base and we will continue to do this by appointing preferred and approved vendors, with whom we have standard terms in place.

As part of our ongoing programme of supplier due diligence we worked with a third party agency who undertook a review of our entire supply base to undertake a risk review including credit, compliance and other business risk areas. We will use this analysis further in identifying and mitigating risk in our supply chain and the supply chains of our suppliers.

The simplification of our Procure to Pay function was further supported by a number of enhancements to our core finance system. One element of this was the creation of a Procurement Portal which enables a new way to buy across the Company, ensuring we guide employees to the preferred and approved suppliers we want them to use. This, in conjunction with, the further roll-out of Purchasing Cards allows the business to acquire the goods and services they need using the most cost-effective methods.

A number of corporate deals have been put in place during 2017 including the contract for a Group-wide travel management company.

In 2017, we published our Modern Slavery Policy which can be accessed on our website. We are also finalising our supplier code of conduct to take into account changes in regulations such as corporate tax evasion so that appropriate due diligence can be undertaken as part of our onboarding and ongoing relationships with our suppliers and partners generally.



Volvo Ocean Race

Inmarsat is delighted to provide onboard connectivity to the Volvo Ocean Race for the fifth consecutive time. Once again, we provide support for the sailors in terms of safety, communications and advanced broadcasting. The partnership with Volvo Ocean Race allows Inmarsat to showcase our cutting edge, reliable technology that connects sailors to the rest of the world, even from the most isolated locations.

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.

Our maritime heritage is a key reminder to us of how we have supported mariners and the wider maritime community for 39 years and remain focused on doing so in the future. We remain the only approved provider of satellite communications services for the Global Maritime Distress and Safety System ('GMDSS') and we continue to invest in the development of maritime safety services. This year, we launched SafetyNET II, an enhancement to the Inmarsat C SafetyNET system, providing shoreside authorities a secure web-based interface with an interactive platform to give greater control and flexibility of their safety broadcasts. Our Inmarsat C SafetyNET service continues to be used to provide vital updates on reported pirate activity.

The service enables ship masters to access reports of pirate movements, giving them information to know which regions to avoid with high pirate activity and allowing them to re-route if necessary. SafetyNET also broadcasts navigational and meteorological warnings and alerts to aid mariners in safety of navigation.

The 2017-18 Volvo Ocean Race, of which Inmarsat is the official satellite communications provider, relies on Inmarsat safety services for the crews to maintain communication at all times, wherever they are. This year we piloted a new web-based system for Rescue Coordination Centres ('RCCs') which was used by Volvo Ocean Race control and RCCs to coordinate rescue operations if needed. FleetBroadband, Inmarsat C and our handheld phone are all standard equipment for each of the yachts. Our IsatPhone handheld service was used in the last Race to provide emergency communications when one of the ships ran aground, with the yacht captain praising it for saving the crew's lives.

In addition to maritime safety services, we also promote safety services to the aviation industry for use in the cockpit. We remain

committed to the provision of International Civil Aviation Organisation ('ICAO') approved satellite safety services, and are expanding our safety offerings with our SwiftBroadband-Safety service being trialled successfully and rolled-out on aircraft during 2017.

In 2017, we continued to support the telecommunications relief aid organisation, Télécoms Sans Frontières ('TSF'). We paid a \$240,000 cash donation and \$100,000 in free airtime. We also paid \$115,000 to the World Maritime University as part of our support for the education of maritime specialists. These two payments are our most significant charitable payments. The total charitable donations amount paid in 2017 was approximately \$420,000. 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 other relief organisations and regional and national disaster response agencies about the available capabilities for emergency telecommunications. We have also continued our support for the International Telecommunications Union ('ITU'). In 2017, we started to provide support for Team Rubicon UK which unites the skills and experiences of military veterans with first responders to rapidly deploy emergency response teams worldwide. 35 individuals from across the Inmarsat business were trained as Greyshirts, which means they have completed training courses to be able to support the charity. We supported Team Rubicon deployments in Nepal, Sri Lanka, Australia, U.S., UK and the Caribbean by providing resources and communications equipment and airtime. Our staff were encouraged to get involved during Company time and we launched our volunteering policy to our global workforce in February 2018.

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.

RESOURCES AND RELATIONSHIPS CONTINUED

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.

In 2017, 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 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

EDUCATION

We continued with our funding of the Inmarsat Chair of Maritime Education and Training at the World Maritime University. Our President, Inmarsat Maritime sits on their Board of Governors. As part of this partnership we conduct a three-day Inmarsat Seminar

providing information on the Inmarsat satellite systems, our maritime safety services, what being a GMDSS provider means, how accident investigations are handled and how Inmarsat supports the welfare of seafarers through its services.

As part of some UK Space Association funded projects, we are working with the University of Leeds on an eHealth project in Nigeria, and work with a number of universities and research centres on some of our future satellite development projects.

Now into its fifth year, this year's award-winning Inmarsat Summer Strategy Challenge concluded well. We work with a London exemplar STEM focused college to make opportunities available to a number of their talented students to complete a challenging programme, addressing critical real world issues, such as the digital divide in Africa, the future of aero safety and forest governance in south east Asia. We are seeking to pioneer a new model of industry-college engagement. Increasingly, experience that goes beyond the norm is essential in the route to work and Inmarsat's programme is targeted to support deserving students. Additionally, the programme with the London-based school forms part of Inmarsat's promotion of STEM

education to encourage young people to be inspired by space-enabled communications and to follow careers in the satellite world.

In 2017 we expanded our entry routes into Inmarsat for those at the start or early stages of their career. In 2018 we will see the start of a renewed graduate programme that consists of three work streams: engineering, corporate and functions, and business development. Internships and work experience opportunities are improved and have increased and are fully transparent for applicants of all backgrounds. We are also supporting the UK Government's intent to increase apprenticeships and skills provision and we will have our first entry of apprentices in 2018.

Recruitment processes for these are managed to encourage and support a diverse applicant and entry pool.

Utilising TARGETJobs for graduate hiring we are partnering with them and other engineering employers on their Future Female Engineer days to bring more women into the sector. More specifically they are supporting us in our desire to hire more female graduates and we have specified a certain percentage of female applicants for consideration.



Inmarsat Greyshirts

Team Rubicon Training Centre, Chilmark, UK (June 2017)

Team Rubicon help those affected in the immediate aftermath of disasters, when infrastructure is overwhelmed. Team Rubicon unites the skills and experiences of military veterans with civilian first responders and volunteers, to deploy both domestically and internationally. Volunteers are given an initial two day training and those who deploy on behalf of Team Rubicon are known as Greyshirts. Inmarsat is very proud to be the first UK business to partner with Team Rubicon providing airtime, hardware and employee support.

We are proud to be sponsoring the Best Diversity Strategy Award at the TARGETjobs National Graduate Recruitment Awards 2018. We also actively engage with young people to encourage greater awareness of careers available to those with a solid STEM education. Our diverse range of initiatives enables a broad variety of participants to engage with us. These include students from a diverse range of socio-economic backgrounds as well as highlighting a desire to have more females entering into the sector. We are proactive in ensuring that the conversations we have with young people come before they make important study choices that restrict future career options. We are passionate about highlighting the successes of women in this sector and creating inspirational role models.

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.

ENVIRONMENT

In 2017 Inmarsat achieved a CDP (formerly known as the Carbon Disclosure Project) score of B, maintaining our performance from 2016 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. 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 and/or land earth 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.

Looking beyond our direct climate impact, it is important to note that our stakeholders identified that working with suppliers to reduce emissions in our supply 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 major suppliers to set meaningful and ambitious 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 2,000 staff who work in over 50 locations around the world. Of those offices, warehouses and earth stations, over 80% operate from eight locations.

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 100.

In 2017 we set an interim target to reduce absolute Scope 1 and 2 emissions by 10% compared to 2016. We have over-achieved this target with our absolute Scope 1 and 2 emissions having decreased by 17% since 2016, and 35% since 2015 (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 are fine tuned to 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 refurbishment that will help reduce energy consumption at 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.

COMMERCIAL WASTE

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 2017 our total waste from the London head office increased 72%. This increase is something we are addressing and working 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.

The Strategic Report, as set out on the IFC up to page 55, has been approved by the Board.

ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER
AND COMPANY SECRETARY

9 March 2018

RISK MANAGEMENT

Focus on mitigation

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 in order to achieve the Company's objectives. The Group's approach to risk is brought together in an overarching risk management policy. This policy together with the risk assessment and mitigation process, have been implemented in order to evolve risk management into more focus on strategic and business objectives, focus on mitigation of the largest risks, and to comply with ISO 27001 in support of this ongoing cyber security project.

The policy sets out the Group's 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 the Inmarsat Values helps promote the right set of values to support effective risk management.

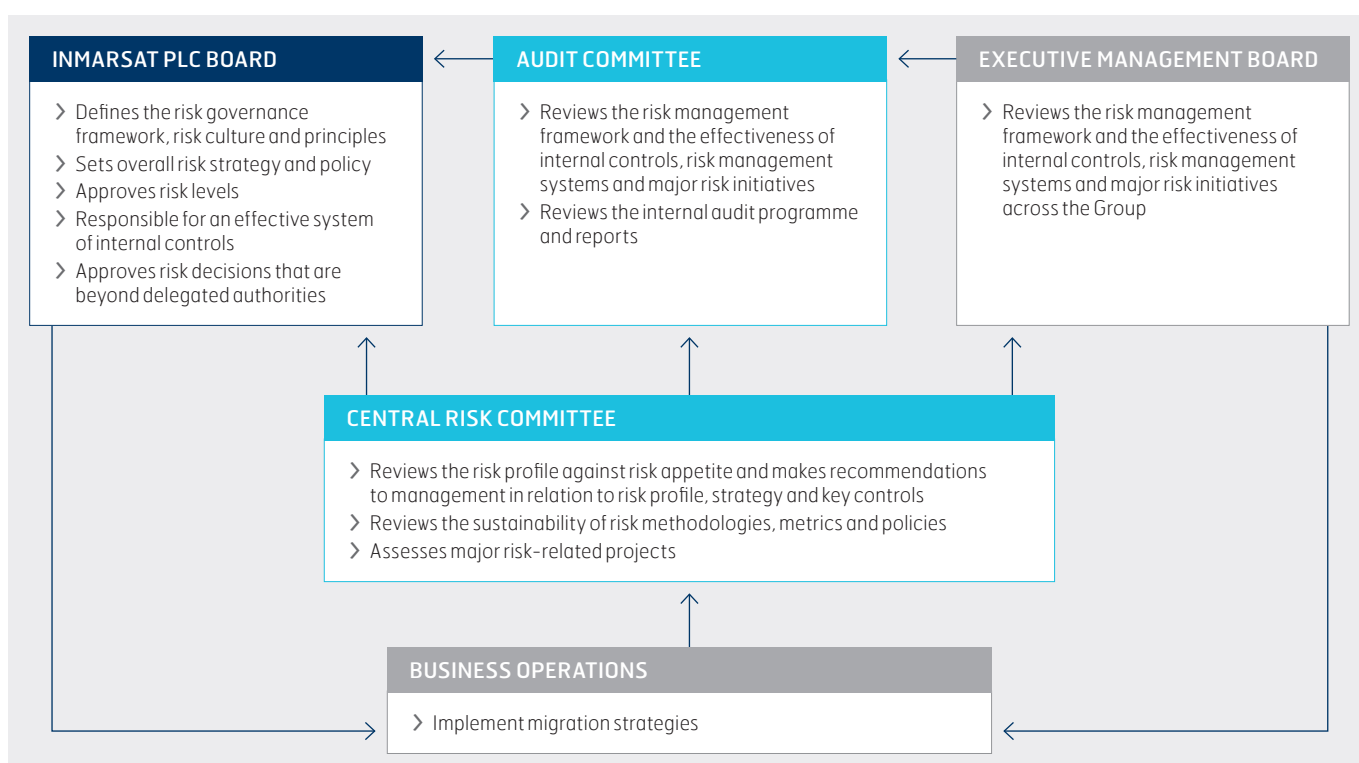
As required by the policy, management operates a risk management process to identify, assess, mitigate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are initially identified and reviewed in each business unit and area, then on a quarterly basis risk reports are formally reviewed by senior management on a central Risk Committee representing each component part of the business. These risks are assessed and consolidated in a systematic way to identify the Group's principal risks. The Group's principal risks are further discussed and reviewed by the Executive team, and each quarter, the resulting Group risk report is discussed by the Audit Committee and the Board, who has overall responsibility for the risk management framework.

Starting in 2016, risk workshops were held across the Group following the new risk assessment and

mitigation process, and concluded by the end of September 2017. The individual risk reports are assessed by the Central Risk Committee and consolidated into a Group risk report. The report includes a much more robust description of the Group's risk profile with targeted mitigation actions to reduce the risks. Due to the risk assessments focusing more on strategic objectives, the new process contributes to the achievement of strategic goals. Both these 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.

The Board regularly and as part of the financial 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 risk management processes particularly, the Board determines 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

RISK MANAGEMENT PROCESS



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 and 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. We accept 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, financial planning, potential compliance issues, 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 is 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 particular to our operations in mobile satellite services.

In accordance with the provisions of the UK Corporate Governance Code, 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 Group for the purpose of preparing the Viability Statement which can be found on page 55. The Going Concern statement is provided on page 99 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 9 March 2018. 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 set out below 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 risk trend for each principal risk at the date of this Annual Report has been assessed as either stable, increasing or reducing in size, measured in both net impact and net probability and compared to a year ago. The principal risks are identified below and we have indicated against each risk how it principally relates to our strategy, 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 12) and the movement of each risk during the year.

Strategic priorities

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

Movement

- ⬆ Increased
- ⬇ No change
- ⬇ Decreased

Risk	Background and impact	Mitigation	Movement
<p>1. Failure to expand into the broadband market by attracting new customers and successfully migrating existing L-band customers</p> <p>Link to strategy:</p> <p>1</p> <p>3</p>	<p>➤ We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore not target market opportunities. We may fail to effectively address the significant changes going on in the industry, eg 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. We may fail to roll-out new services including migrating existing customers. Competitors may launch disruptive technology.</p>	<p>➤ We have professional, experienced teams who focus on large scale programmes and 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. We work closely with our partners to ensure our services, technology and capacity meet the demand from our customers. We are investing in new broadband satellites, Inmarsat-6 and GX-5 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.</p> <p>➤ We establish the necessary focused sales and marketing capability to effectively deliver a good business opportunity for Inmarsat and its partners. We have started to focus on digital offerings as an additional value add to customers.</p>	

RISK MANAGEMENT

CONTINUED

Risk	Background and impact	Mitigation	Movement
2. Failure to at least maintain our existing L-band business Link to strategy: 2 3	<ul style="list-style-type: none"> We may not be able to maintain our market share of L-band business or we may fail to keep up with the business needs or requirements of our customers. The L-band business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore not target market opportunities. We may fail to roll-out new services including migrating existing customers, 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. 	<ul style="list-style-type: none"> We have professional, experienced teams who focus on large scale programmes and develop close relationships with the 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. We work closely with our partners to ensure our services, technology and capacity meet the demand from our customers. We seek to identify new customers and to migrate existing customers who would benefit from our new services. To ensure that our product offering remains relevant to our customers, we are investing in the next generation of L-band satellites (Inmarsat-6), exploring strategies for extending the life of our existing L-band satellites, and investing in L-band product innovation, for example low price terminals. We are reviewing market opportunities, for example IoT and Big Data, to create new business streams which will continue to use our L-band services. 	
3. Failure to successfully seize the Aviation passenger connectivity opportunity Link to strategy: 1 3	<ul style="list-style-type: none"> We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy to exploit the aviation In-Flight Connectivity ('IFC') market opportunity. We may fail to develop a competitive technology roadmap, competitive pricing, obtain applicable licences or fail to deliver on or have delays in our contracts. Our competitors may provide better products to the market sooner than us and at more competitive prices. Our access to the market may be restricted by regulatory and capacity issues. The risk has increased during 2017 due to competitive pressure, potential contract delivery risks and finalising market access regulatory risks. 	<ul style="list-style-type: none"> We work closely with our partners to ensure our services and technology meet the demand of our customers and that we can identify demand from new customers. We are investing in new broadband satellites GX-5 and Inmarsat-6 to meet customer capacity demands. We have established the necessary sales and marketing capability to effectively deliver an unparalleled IFC experience for airlines and passengers. We will ensure we deliver on existing contracts. We will ensure that the EAN network is operational on a timely basis with the satellite component provided by Inmarsat and the ground to air capability from Deutsche Telekom as an expert delivery partner. 	
4. Failure to maintain and grow our Maritime business Link to strategy: 1 2 3	<ul style="list-style-type: none"> We may not be able to grow our existing levels of revenue in the maritime industry through either competitor pressure, further decline in the overall maritime sector or our inability to identify adequate opportunities in the maritime market. The Maritime business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and exploit market opportunities. We may also lose our GMDSS authorisation or a competitor may get authorisation. We may fail to roll-out new services including migrating existing customers. 	<ul style="list-style-type: none"> We work closely with our partners to ensure our services and technology meet the demand of our customers, and to identify new customers as well as migrate existing customers who would benefit from our new services. We have well-established business relationships with partners and have signed some significant strategic alliance agreements with well-known and respected maritime organisations for long-term Fleet Xpress commitments. We have launched Fleet One to support smaller fishing vessels and offer 'cyber as a service', both of which provide additional market opportunities for us. We are investing in a differentiated platform and service offering designed to provide both additional value to our customers and enhance our customer relationships. 	
5. Failure to deliver the Solutions strategy Link to strategy: 1 2 3	<ul style="list-style-type: none"> We are aiming to implement a new solutions-based strategy rather than being a product-only based solution. We may fail to correctly assess market needs. There is a risk that the transition to offer solutions and digital services may fail, be further delayed, not meet market needs, have scalability issues, have cost overruns or not go smoothly. 	<ul style="list-style-type: none"> We will build partnerships with software and application developers to deliver value added solutions for use on our platforms. We are able to encourage these relationships through offering open source technology which attracts a wide range of interest from different technology partners. We are exploring opportunities for applications in maritime, mining, agriculture, transportation, logistics, etc. 	

Risk	Background and impact	Mitigation	Movement
6. Failure of satellites or networks Link to strategy: <ul style="list-style-type: none"> 1 2 3 5 	<ul style="list-style-type: none"> > We face risks when we launch our satellites and while they are in operation. There are only a few companies who provide services to build and launch satellites and if they encounter problems, our launch may be delayed or fail. Our satellites, our control of them or our network may fail technically or be sabotaged. Our network may not be able to cope with the demand from users. Our network may suffer a cyber attack that damages our service offering and reputation. > Elements of our ground network may fail or be damaged, which may affect our ability to provide services to our partners and customers. > The risk has decreased during 2017 due to the two successful satellite launches, improved ground network resilience and continued successful cooperation between our space engineering team and satellite manufacturers. 	<ul style="list-style-type: none"> > We successfully launched two satellites in 2017; Inmarsat-5 F4 and Inmarsat S EAN. We have a highly experienced space engineering team at satellite manufacturing sites to check design, production and testing activities and deploy an experienced team to prepare for satellite launches. The team is presently involved in the manufacturing and testing of the GX5 and Inmarsat-6 satellites. > We build in a high degree of redundancy in our satellite constellations and ground network. We have 24-hour monitoring of our satellites and network by sophisticated monitoring systems and knowledgeable staff who ensure any necessary action is taken promptly. > 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. 	
7. Failure of critical customers and/or distribution channel Link to strategy: <ul style="list-style-type: none"> 1 2 5 	<ul style="list-style-type: none"> > 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. > Relying on some critical customers may increase our financial exposure if they fail to make payments for our services. > We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities. We may lose customers due to poor quality service delivery or operations, or fail to keep up with the business needs of our customers. We may fail to roll-out new services including migrating existing customers. A competitor may buy a critical customer or partner. > We may encounter delays in bringing new products and services to market. Our inability to directly control our retail company or business specialising in U.S. Government contracts, may restrict our business activities. 	<ul style="list-style-type: none"> > We build strong relationships with all our partners, including through the Inmarsat World conference where we bring together partners and developers. We provide the partners 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 have an effective credit management process in place, assessing the credit risk of new and existing customers. > 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. > 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: <ul style="list-style-type: none"> 1 2 3 4 5 	<ul style="list-style-type: none"> > 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 reputation, business plans and operations and future revenue from risk averse customers/markets. > The risk has increased during 2017 due to the continuously increasing external threat. We have made considerable progress and continue to invest to further reduce the constantly evolving risks. 	<ul style="list-style-type: none"> > 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 are progressing with a project to obtain ISO 27001 certification. We have completed risk assessments on information assets across the Group, and as a consequence, we are deploying appropriate controls. > Through our One IT project we are building a modern computer infrastructure that enhances protection of critical assets and data. We are improving our processes to be 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; contingency plans are tested regularly. 	

RISK MANAGEMENT

CONTINUED

Risk	Background and impact	Mitigation	Movement
9. Spectrum, orbital slots and market access risk Link to strategy: <ul style="list-style-type: none"> 1 2 5 	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 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 with organisations such as the ITU, and participate in conferences such as the World Radio Conference to brief them on the ongoing need for our frequency allocations. ➤ We negotiate with other companies on orbital slots and the ability to achieve better spectrum usage and allocation. We monitor spectrum usage and assess whether there are benefits to our partners, customers and ourselves to migrate higher volume users to GX services. ➤ 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. 	
10. Failure of critical suppliers Link to strategy: <ul style="list-style-type: none"> 1 2 3 5 	<ul style="list-style-type: none"> ➤ 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. ➤ The risk has decreased during 2017 due to work in Group Procurement. 	<ul style="list-style-type: none"> ➤ 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 Inmarsat 5EAN satellite launch in 2017. 	
11. Failure to effectively deliver products and services Link to strategy: <ul style="list-style-type: none"> 1 2 3 5 	<ul style="list-style-type: none"> ➤ We may fail to keep up with the developing business needs of our customers. We may fail in developing products and services that match their needs or encounter delays in bringing new products and services to market. ➤ We may not be able to take to market our products and services for various reasons such as network/satellite issues, capacity constraints and/or technological difficulties which would impact our ability to generate revenues. Products may become obsolete. ➤ We may fail in our internal processes leading to violations of regulations, for example financial reporting requirements. An export control violation may affect service delivery. ➤ The risk has decreased in 2017 due to systematic work with improving and documenting existing processes, as well as implementing robust new systems and processes. 	<ul style="list-style-type: none"> ➤ In developing products and services, we have processes which we continuously evolve and seek to improve to meet the expectations of customers. ➤ We liaise closely with third parties across our ecosystem to review requirements and then plan our delivery against these. ➤ 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. ➤ 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 rely on a close relationship between our customer-facing business units, our operations team who deal directly with operating new products and services and the engineering and product teams. ➤ We document and improve our internal processes. ➤ We maintain an ongoing informed dialogue with investors, and ensure that internal and external expectations are aligned. 	

Risk	Background and impact	Mitigation	Movement
<p>12. Risk to people, skills, location and working environment</p> <p>Link to strategy: 4</p>	<ul style="list-style-type: none"> ➤ We may fail to hire skilled people or adequately improve skills to maintain and grow our business, or to deliver our strategy. We may lose highly technical and specialist employees who have very specific skill sets that are vital to the business. We may lose knowledge with employees and consultants that leave the Company. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may lose employee engagement and motivation. We may suffer a terrorist attack or a natural disaster on one of our network or office locations. ➤ The risk has decreased during 2017 due to the implementation of the People strategy. 	<ul style="list-style-type: none"> ➤ We develop and implement a People strategy where we identify key employees, skills and skills gaps to manage the human resource effectively and enable delivery of the strategy of the Company. We develop and implement recruitment strategies to hire people with the new skills needed. Inmarsat's Brexit committee analyses risks and deploys strategies to minimise possible impact. The Brexit committee has organised briefing sessions for EU citizen employees and Inmarsat is financially supporting residency applications. We are in the process of reviewing and enhancing our employee proposition which focuses on career development, training and reward to improve people's experience of Inmarsat. 	
<p>13. Geo-political risk</p> <p>Link to strategy: 4 5</p>	<ul style="list-style-type: none"> ➤ Downturns in the economy of a country and/or world economy, or closure of capital markets could impact our business, our ability to raise financing and impact the delivery of our strategy. We could fail to comply with applicable international legislation and international reporting requirements. ➤ Armed conflicts as well as a low oil price may have large effects on world trade and consequently on our business, strategy and currency exchange rates. ➤ We do a large amount of business with governments across the globe including the U.S. Government. Major political policy changes and decisions, such as sanctions and Brexit, may impact our business. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may suffer a terrorist attack or a natural disaster on one of our network or office locations. Our staff and their families may suffer a local epidemic or global pandemic. 	<ul style="list-style-type: none"> ➤ We ensure the Company is financially robust and resilient to economic downturns. ➤ We continuously review and adapt our strategy in reaction to developing political or economic situations. We assess and manage new risks such as the impact of the UK Brexit and changes in government, epidemics, for example that potentially could impact our people and business. Inmarsat's Brexit committee analyses risks and deploys strategies to minimise possible impact. 	

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 51 to 55 of the Annual Report.

ASSESSMENT PERIOD

The Directors have determined that a three year period to 31 December 2020 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'), 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 above

contribute significantly to the longer-term viability of the Group. The following risks were deemed as having the potential to threaten the operational viability of the Group:

- **Failure of satellites and our network:** Modelled the impact of a catastrophic failure to satellites in both our I-4 and GX networks
- **Spectrum, Orbital slots and Market access risk:** Modelled the impact of our inability to obtain appropriate licences and market access to deliver services across our key networks
- **Security Risk:** Modelled the impact of an aggressive cyber-attack that penetrates our networks and/or key systems
- **Failure of Critical Customers:** Modelled the impact of the loss of key customers
- **Geo-political risk:** Modelled the loss of core government contracts due to geo-political events outside the control of the Company
- **Failure to expand into the broadband market:** Modelled the impact of materially lower GX growth rates than in the Plan
- **Failure to successfully grasp aviation passenger connectivity opportunity:** Modelled the impact of materially lower Aviation passenger connectivity growth rates than in the Plan
- **Failure to at least maintain our existing L-band business:** Modelled the impact of materially lower growth rates than in the Plan
- **Failure to maintain and grow Maritime business:** Modelled the impact of materially lower growth rates than in the Plan

Each scenario was tested and the financial impact estimated based upon a combination of internal estimates and data available from reliable 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 2020.

In reaching this conclusion the Directors noted that the Group is exposed to particularly high levels of risk when a satellite is launched though this 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

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

The Board is ultimately responsible to shareholders for all our activities: for delivering our strategy and financial performance in the long-term interests of the Company; for efficiently using our resources and having regard to social, environmental and ethical matters. Setting the right cultural tone from the Board, through the Executive Directors and Executive Management Board throughout the Group is very important.

The Board approves the Group's governance framework with the Board Committees contributing their specialist focus to key areas such as 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'). We comply with the Code with one exception that I, as Chairman, was not considered independent on appointment because I was previously an executive director. However we have a strong Senior Independent Director, Dr Abe Peled, who provides additional independence to respond to any shareholder queries and has joined me in several shareholder meetings.

During 2017 there were changes in Board membership which I've summarised in my opening Chairman's statement on page 7 and also note later in this Report.

The Directors have confirmed by way of a statement, on page 103, that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable. The processes including financial controls and reporting, and risk management, which underpin and support our confidence in making this statement are long-established and embedded into our business and we continue to make improvements in our reporting. In addition, our Internal Audit department reviewed the narrative sections of the Annual Report. In line with its terms of reference, a subset of the Disclosure Committee also reviews the Annual Report to ensure it contains all necessary disclosures to fairly present the Company's and the



ANDREW SUKAWATY
CHAIRMAN

Group's financial condition and results of operations. Our external auditors review the narrative sections of the Annual Report to identify any material inconsistencies with the financial statements. Our Board members receive drafts of the Annual Report in sufficient time to facilitate their review and input.

We are aware of the Financial Reporting Council report which encourages the Board to address culture, encourage discussion and debate how boards and executive management can steer corporate behaviour to create a culture that will deliver sustainable good performance. The Board is very collaborative and collegiate; honest and open debate is in evidence at all Board meetings. The Board and Executive Management Board understand the increasing importance which corporate culture plays in delivering long-term business and economic success and this will be an area of focus for the Board. During 2017, we introduced a new high-performing culture programme which is mentioned in the 'Our People' section of the Resources and Relationships part of this Annual Report. It has already been rolled out to the extended leadership team of around 100 senior managers across the Group and all employees will participate in workshops during 2018 and into 2019. We act with integrity and we see this within our Board discussions, and how this

cascades down through the business from the Executive Management Board. We are very proud of Inmarsat's brand and are focused on protecting its integrity for the future.

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. Warren Finegold joined us in August 2017 and I'm delighted that he is contributing so well so quickly. We will review the size and composition of the Board over 2018.

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 have been made.

ANDREW SUKAWATY
CHAIRMAN

9 March 2018

GOVERNANCE AT WORK

This section of the Annual Report shares with you how we operate as a Board and explains the responsibilities we have as Directors to all our stakeholders. We describe the different Board Committees and how they are accountable for clearly defined responsibilities, each headed by a Non-Executive Director

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 2017

- › Managed the transition of longer-serving Directors and welcomed a new addition to the Board
- › Reviewed the Group's strategy to support additional investment in aviation In-Flight Connectivity opportunities, including new satellite commitments
- › Discussions regarding future dividend planning
- › Approval of investment in modernisation of key operating systems to improve billing and IT infrastructure to benefit customers and employees



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 Board evaluation process, the Directors comment on the wide range of discussions it considers and this is reflected in the following summary.

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 62 TO 66



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 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 Board level and understanding succession planning across the Company.

SEE PAGES 67 TO 69



ACCOUNTABILITY

IN THIS SECTION

Our Audit Committee Chairman has now gone through his second full annual cycle and we have a new Committee member who joined in August 2017.

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 70 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 2017 and what is intended to be paid in 2018 (called the implementation report) and how we operate within an agreed remuneration policy. Shareholders are asked to vote at the AGM annually on the implementation report, and every three years on the 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 KPIs are made.

SEE PAGES 76 TO 98



BOARD OF DIRECTORS

The right balance of skills



1	2	3
4	5	6
7	8	9
10	11	12
13		

1. ANDREW SUKAWATY

CHAIRMAN



Dates of appointments

Chairman, January 2015; Executive Chairman, January 2012 – December 2014; Executive Chairman and Chief Executive Officer, March 2004 – December 2011; Chairman December 2003

Background and relevant experience

Andy joined Inmarsat in 2003 and has served previously as its CEO and Executive Chairman. He became Chairman in 2015. Andy served as Non-Executive Chairman of Ziggo N.V. until November 2014. He has previously been President and Chief Executive Officer 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

Senior Independent Non-Executive Director of Sky Plc.

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. Before Atlas Venture, he was also a partner at the international law firm Linklaters, where he spent 13 years 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 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 Broadband Commission's Working Groups on Digital Entrepreneurship, Vulnerable Countries and Digital Health Working Group.

COMMITTEE MEMBERSHIP:

-  Nominations Committee
-  Telecoms Regulatory Committee
-  Audit Committee
-  Remuneration Committee
-  Denotes Chairman

3. TONY BATES

CHIEF FINANCIAL OFFICER

Dates of appointments

Executive Director and Chief Financial Officer, June 2014

Background and relevant experience

Tony's prior experience includes holding the roles of Group CFO of Yell Group Plc (hibu Plc), Group CFO and then Chief Operating Officer 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 was, from 2008 to 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. Simon holds an honours degree in History from Cambridge University and is a chartered accountant.

External appointments

Chairman of WiSpire Limited; Chairman of Archant Limited; director of the British Bobsleigh and Skeleton Association; non-executive director and chairman of the Audit Committee of Channel 4.

5. SIR BRYAN CARSBURG

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 Telecommunications (head of OfTel), and then served as Director General of Fair Trading and Secretary General of the International Accounting Standards Board. He has been 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.

Until the 2018 AGM Sir Bryan has been an Independent Non-Executive Director.

External appointments

Non-executive director of Actual Experience plc.

6. 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

Chairman of BEI Precision Systems and Space Company; non-executive director of MAXAR Technologies and Associates; trustee of the Mitre Corporation; acts as Special Advisor to two U.S. organisations.

7. AMBASSADOR JANICE OBUCHOWSKI

INDEPENDENT NON-EXECUTIVE DIRECTOR



Date of appointment

May 2009

Background and relevant experience

Janice held several senior positions both in the U.S. Government and in the private sector. She was formerly Head of Delegation and U.S. Ambassador to the World Radiocommunications Conference, Assistant Secretary for Communications and information at the Department of Commerce and Senior Advisor to the Chairman at the Federal Communications Commission in the U.S. Earlier in her career she also led international government affairs for NYNEX (now Verizon).

External appointments

President of Freedom Technologies Inc.; non-executive director of Orbital ATK; non-executive director of CSG Systems, Inc.

BOARD OF DIRECTORS CONTINUED

8. 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 to 2012, a digital pay-TV technology company, and served as Chairman and Chief Executive Officer from 2004 to 2012. He was Senior Vice President of Cisco from August 2012 to 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, he 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; member of the Operating Committee of Metalogix Inc.

9. 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 U.S. 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); Supervisory Board member of NN Group N.V.

10. DR HAMADOUN TOURÉ

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment
March 2015

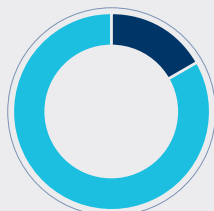
Background and relevant experience

Hamadou was Secretary General of the International Telecommunication Union ('ITU') from 2007 to 2014. He was a member of the UN Chief Executive Board ('CEB') and served as Chairman of the UN ICT Network. He was the founding member of the Broadband Commission for Digital Development and was co-vice chair until his retirement from ITU. He has been a member of the Advisory Board of the International Multilateral Partnership Against Cyber Threats ('IMPACT'). He also had a distinguished career in the satellite industry. Hamadou 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

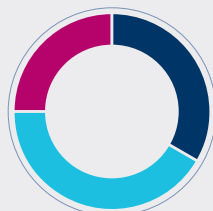
Executive director Smart Africa; member of the Board for Sustainable Development Goals Center for Africa ('SDGC-A'); NED of TELKOM South Africa; Chairman PMP on Cyber Security and Cyber Peace.

BOARD COMPOSITION



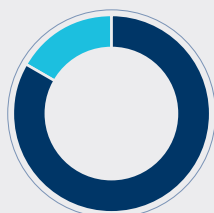
Executive	2
Non-executive	10

BOARD TENURE



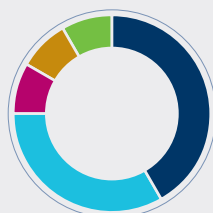
0-3 years	4
4-8 years	5
9+ years	3

BOARD MEMBERS BY GENDER



Male	10
Female	2

BOARD NATIONALITY



UK	5
U.S.	4
Mali	1
New Zealand	1
Netherlands	1

BOARD EXPERIENCE

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

11. PHILLIPA M^cCROSTIE
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 its 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
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.

12. WARREN FINEGOLD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment
August 2017

Background and relevant experience
Warren was 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
An advisor to the Vodafone Group, Member of the Supervisory Board of VodafoneZiggo Group Holding BV, Member of the Supervisory Board of Avast Holdings NV, Non-Executive Director of UBM Plc.

13. ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER
AND COMPANY SECRETARY

Date of appointment
February 1999

Background and relevant experience
Alison joined Inmarsat in 1999 and provides risk, compliance and corporate governance advice and has responsibility for our operations in China and India as well as legal and corporate marketing. She acts as Company Secretary to the Board and its Committees. She is a member of the Executive Management Board and Chairman of the Trustee Company responsible for the Inmarsat UK pension plans. 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 Institute of Chartered Secretaries and Administrators.

EXECUTIVE MANAGEMENT BOARD

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

<p>RUPERT PEARCE Chief Executive Officer</p>		
<p>PHILIP BALAAM President, Aviation Business Unit</p>	<p>TONY BATES Chief Financial Officer</p>	<p>NATASHA DILLON Chief People Officer</p>
<p>PAUL GUDONIS President, Enterprise Business Unit</p>	<p>PETER HADINGER Chief Technology Officer</p>	<p>ALISON HORROCKS Chief Corporate Affairs Officer and Company Secretary</p>
<p>SUSAN MILLER President and CEO Inmarsat Government (U.S.)</p>	<p>JASON SMITH Chief Operations Officer</p>	<p>NICK THEXTON Chief Product Officer</p>
<p>RONALD SPITHOUT President, Maritime Business Unit</p>	<p>ANDY START President, Global Government Business Unit</p>	

LEADERSHIP

THE BOARD

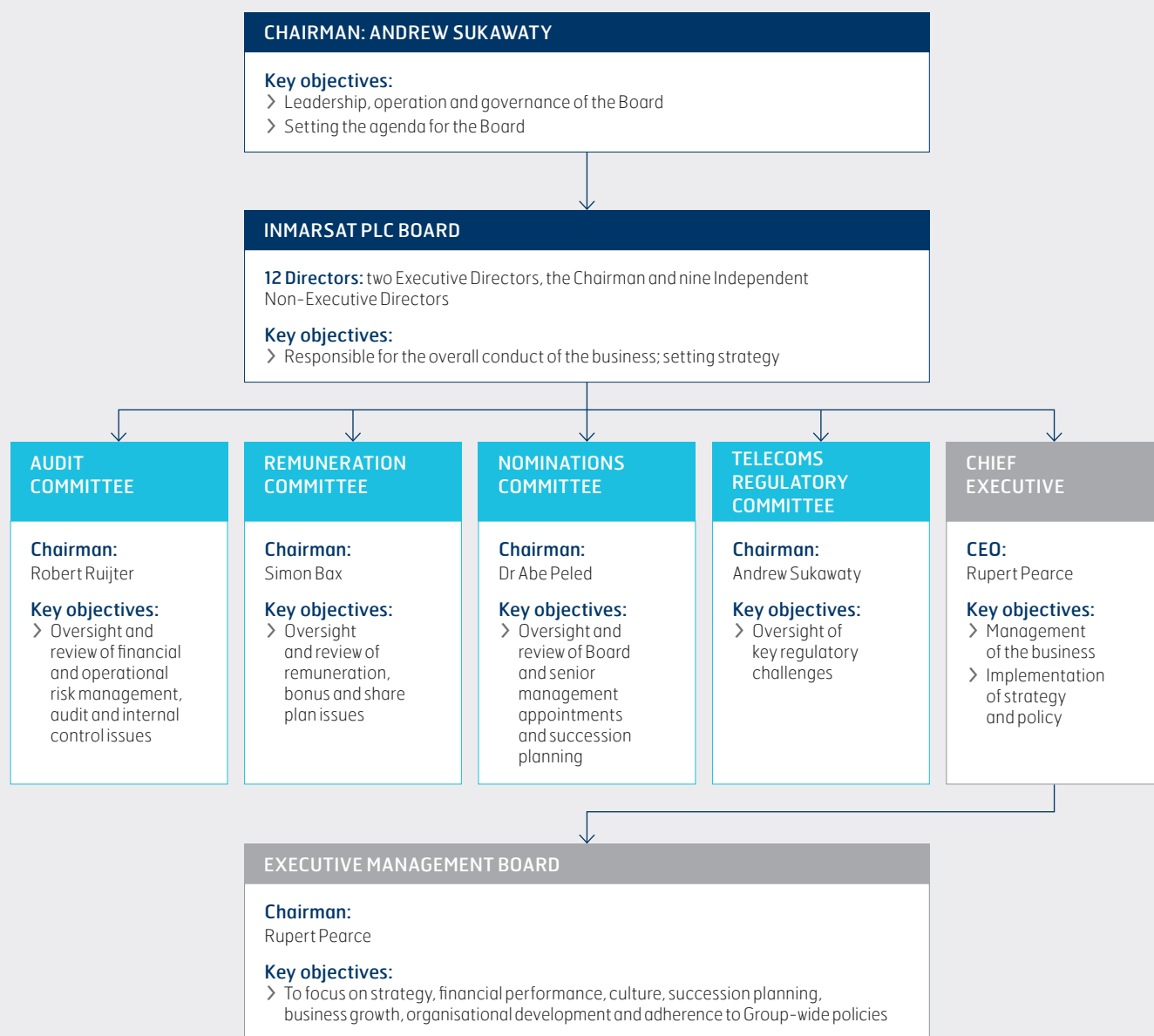
OVERALL SUMMARY STATEMENT ON GOVERNANCE

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 UK Corporate Governance Code save as noted below.

During 2017, 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. 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. A copy of the UK Corporate Governance Code can be found at www.frc.co.uk.

BOARD COMMITTEES



HOW THE BOARD OPERATES

To ensure effective governance, your 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 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 67 to 98.

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:

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

Responsibility for 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 part of the Executive Management Board, 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 Board is provided on page 61.

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

- › 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 2017 we focused our attention on the following key areas:

Strategy review and development:

- › Attended a Group strategy day, with members of the Executive Team and other senior executives, to consider key strategic priorities and the market environment and changes in some of our competitors' focus
- › Discussed and approved the Group strategy
- › Received regular strategy and business development reports from the CEO, Chief Strategy Officer 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

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 and approved the annual budget and long range business plan

- › Reviewed and approved the Company's dividend policy, recommendations and payments thereof
- › 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
- › Discussed a summary of the comments from the 2016 Board evaluation exercise and resulting areas for focus
- › Reviewed the Directors' Conflicts of Interest procedures

Workplace reviews:

- › Received an annual health and safety report covering activity across the Group
- › 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, identification of high performing individuals
- › Received updates on plans for the refurbishment of the Company's London headquarters

Special business:

- › Received multiple presentations on the aviation business with a specific focus on in-flight passenger connectivity and associated capex and opex costs
- › 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

LEADERSHIP CONTINUED

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 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
- › responsibility for 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 Board

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.

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 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)

are considered to be independent and free of any circumstances that could materially interfere with their ability to provide a strong and valuable contribution to the Board's deliberations, or which could interfere with the individual Director's ability to also act in the best interests of the Group. The Nominations Committee additionally considers the independence carefully once a Non-Executive Director has served for nine years or more to assess whether their contribution to the Board remains valuable and valid to support the Company's strategic objectives.

Executive Management Board

The Chief Executive chairs the Executive Management Board 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 Board includes the Executive Directors, the Business Unit Presidents and the key functional heads. The names of the Executive Management team are shown on page 61.

GOVERNANCE AND CONDUCT OF BOARD MEETINGS

Our Board meets as often as necessary to effectively conduct its business. During 2017, the Board met eight times, with one of those meetings being held over two days in Washington DC. The meetings in local offices provide the Board with exposure to our staff and business operations outside the London headquarters.

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. At each meeting, the Chief Executive Officer and Chief Financial Officer provide reports to the Board. The Board is therefore given exposure to the next layer of management at the Executive Board 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 for discussion for management succession. Strategy sessions are attended by several

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.

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. Following such review, the Board considers Sir Bryan Carsberg to be now a non-independent Non-Executive Director because of his length of service with the Company, and his tenure being alongside that of the Chairman. Despite this reclassification of Sir Bryan's Non-Executive directorship, he fulfils his responsibilities with an independent view, providing critical thinking and contributions and continues to act in the best interests of the Company. All other Non-Executive Directors

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. The Chairman will attend these meetings but will not be in attendance where there is discussion about his own performance.

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 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 2017 is shown in the next table. Warren Finegold joined the Board in August 2017. Attendance at Committee meetings is shown in the relevant Committee reports.

NUMBER OF SCHEDULED BOARD MEETINGS HELD AND MEETING ATTENDANCE IN 2017

	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%
Stephen Davidson ¹	1/1	100%
Warren Finegold ²	4/4	100%
Kathleen Flaherty ³	2/2	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	8/8	100%

¹ Retired on 19 January 2017

² Appointed on 1 August 2017

³ Retired on 2 March 2017

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 50 and 51 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 2017 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 to employees to use. There was no use of it during 2017. Additionally, the Board is 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 an agenda item in its own right and also included 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, we have committed to seek certification to the ISO 27001 standard which requires us to have an information management security procedure in place and also increased our investments on cyber security during 2017 in terms of resources and on tools.

There has been focus within the Company during 2017 and into 2018 on the work required to ensure compliance with the new General Data Protection Regulation ('GDPR') which comes into effect in May 2018.

LEADERSHIP CONTINUED

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.

The Company has an established Disclosure Committee with responsibility for reviewing and approving controls and procedures over 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. The Disclosure Committee comprises the Chairman, both Executive Directors, Company Secretary and other senior executives.

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 2017 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 50 and 51 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 has recently been updated to operate in an improved clearer way for employees to understand how their levels of accountability fit within the levels of approved authorisation. 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 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 76 to 98.

EFFECTIVENESS

Report of the Nominations Committee



DR ABE PELED
CHAIRMAN,
NOMINATIONS
COMMITTEE

EFFECTIVENESS

Report of the
Nominations Committee



MEMBERS IN 2017

	Scheduled meetings attended
Dr Abe Peled (Chairman)	1/1
Andrew Sukawaty	1/1
Dr Hamadoun Touré	1/1

An area of continued focus for the Committee has been Non-Executive Director succession planning, with the retirement of two longer-term directors early in the year, an additional director joining in August 2017 and a decision to propose the re-election of Sir Bryan Carsberg to continue on the Board as a non-independent non-executive director

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 although in 2017 the second meeting was postponed to allow for further time for an update on a detailed management succession planning to be given in 2018. Dr Abe Peled became Chairman in November 2015. Other members of the Committee are Andrew Sukawaty, Stephen Davidson (up to his retirement in January 2017) and Dr Hamadoun Touré.

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 will give 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.

The Nominations Committee will also make recommendations to the Board concerning the annual reappointment by shareholders of any Non-Executive Director as he or she reaches their sixth year of reappointment and separately with a view to assessing their continuing independence thereafter, particularly when Directors are seeking to be reappointed after serving nine years. The Committee also has responsibility for approving any changes to Executive Directors including senior management appointments.

All currently appointed Directors will retire at the 2018 AGM and offer themselves for election or re-election as appropriate. As noted earlier in the Governance Report, the Committee has reviewed Sir Bryan's contribution and determined he participates effectively at Board meetings. We are recommending to shareholders therefore, that he be re-elected as a non-independent, Non-Executive Director. The Committee will review his continued appointment to the Board on an annual basis.

REPORT OF THE NOMINATIONS COMMITTEE

CONTINUED

COMPOSITION

Our Board comprises Directors drawn from a wide range of professional backgrounds. All our Directors bring strong judgement to the Board's deliberations. The Non-Executive Directors we appointed in 2016 and more recently in 2017 have contributed very effectively to Board discussions and have demonstrated their increasing knowledge of how the Company operates and its business. We took the decision to appoint these additional Directors to complement the skills of the existing ones so that future succession planning is enabled on a smoother retirement basis. In 2016 we appointed Phillipa ('Pip') McCrostie and in 2017 we appointed Warren Finegold. Stephen Davidson and Kathleen Flaherty both retired from the Board in January and March 2017 respectively.

As at March 2018, the composition of the Board is two Executive Directors, nine Non-Executive Directors and a Non-Executive Chairman. With the exception of Warren Finegold, 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 58 to 61.

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.

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 the Board Chairman, which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board.

In appointing Non-Executive Directors, the Board's practice is to use a combination of external consultants and personal referrals. The Non-Executive Director who was appointed in 2017 was through an external consultancy.

In considering the skills required for the new Non-Executive Director, there was focus on seeking an individual who had broad corporate, strategic and financial knowledge as we felt that this would be additive to the current experience of the Board and provide a complementary overlay to other Board members' experience. Mr Finegold's 10 years' experience on Vodafone's executive management team as Group Strategy and Business Development Director and with his previous investment banking experience, met the requirements for the role. We are delighted that Warren decided to join Inmarsat. As part of the recruitment process, Warren met several people including the Chairman of the Board, the CEO, CFO, Senior Independent Director and Chairman of the Nominations Committee, and the Company Secretary. Other members of the Board were also given the opportunity to meet him.

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; diversity, including gender; and what cultural experience, skills and expertise are needed on the Board and from senior management in the future. 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 not set quotas for the percentage of women in the workforce but is supportive of the need generally to encourage diversity when employees and Directors (Executive and Non-Executive) are recruited. 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 Board and identifies the next layer of management below them who are identified as those with potential for promotion to senior management positions. During 2017 there was significant work undertaken by the Chief People Officer and her team in identifying a high performing talent programme across the organisation which will contribute to an updated management succession programme for presentation during 2018 to the Committee and the Board.

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 Board 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 took place 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. As part of their annual performance evaluation, Directors are given the opportunity to discuss training and development needs. Whilst the Chairman takes ultimate responsibility for this, each Director is expected to ask about any specific training needs. They 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 2015 the Company undertook an external evaluation, facilitated by Duncan Reed of Condign Board Consulting. This was the second time Mr Reed had undertaken the external evaluation. Neither Mr Reed nor Condign Board Consulting have any other commercial relationships with Inmarsat. The 2016 and the most recent 2017 Board evaluation was undertaken by the Company Secretary on behalf of the Chairman. This took the form of a questionnaire to all Directors and a meeting between the Company Secretary and each of the Directors.

We have continued to build on themes identified in the 2016 evaluation so that we ensure the Board and Committee meeting times are used effectively and are focused on items which are strategic and key to supporting the Company's objectives.

Board presentations are more focused with delivery at Board meetings leading to discussion at higher strategic levels. Keeping this improved standard is noted as something from the 2017 evaluation process to maintain.

Board agendas are sometimes lengthy and Board members have suggested that it might be helpful for meetings sometimes to run for an extra half day. This will be considered within the 2018 Board meeting schedule and for future years.

Ensuring that the Board continues to receive early updates on proposals from management on significant transactional issues is a theme continued from the 2016 evaluation. This allows the Board to be informed and able to contribute as these matters develop up to decision stage.

The main outputs from the exercise confirmed that the new Non-Executive Directors had performed well and the whole Board was operating effectively, with mutual respect for each other's experience and contributions. The review completed by the Directors regarding the Board Chairman's own performance reflected their continued support of how he managed the Board, seeking to ensure that all Directors contributed to the discussion and that he managed the discussion effectively and fairly.

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. Details of external appointments for the CEO can be found in his biography on page 59. 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. 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 and Mr Finegold will stand for election. The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the 2018 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.

As already set out earlier in this Report on page 67, one of our Non-Executive Directors, Sir Bryan Carsberg is being supported by the Board for re-election at the 2018 AGM as a non-independent Non-Executive Director.

ACCOUNTABILITY

Report of the Telecoms Regulatory Committee



ANDREW SUKAWATY
CHAIRMAN, TELECOMS
REGULATORY COMMITTEE

ACCOUNTABILITY

Report of the Telecoms
Regulatory Committee



MEMBERS IN 2017

	Scheduled meetings attended
Andrew Sukawaty (Chairman)	2/2
Sir Bryan Carsberg	2/2
Janice Obuchowski	2/2
Dr Hamadoun Touré	2/2

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

The Committee was presented with updates from senior regulatory experts about upcoming legislation and activities which could have an impact on the Company's regulatory roadmap.

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 comprised a majority of independent Non-Executive Directors and meets as and when necessary, generally twice a year. Andrew Sukawaty is Chairman. During 2017 the Committee met twice.

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

A key focus for the Company during 2017 was to receive updates from senior management regarding the current status of market access authorisations for the Ka-band Global Xpress services; updates on the focus and attention of the FCC in the U.S. and any implications for our work; the current position of the EAN licence acquisitions for our S-band licence and the activities surrounding the discussions with regulators about these and also about the planning and focus for resourcing for the WRC-19 conference.

Report of the Audit Committee

ROBERT RUIJTER
CHAIRMAN,
AUDIT COMMITTEE



ACCOUNTABILITY

Report of the
Audit Committee



MEMBERS IN 2017

	Scheduled meetings attended
Robert Ruijter (Chairman)	5/5
Sir Bryan Carsberg	5/5
Stephen Davidson¹	1/1
Janice Obuchowski	5/5
Phillipa McCrostie	5/5
Warren Finegold²	2/2

¹ Mr Davidson retired in January 2017

² Mr Finegold joined in August 2017

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 who makes up the Audit Committee and their attendance at meetings during 2017. Robert Ruijter became Chairman in November 2015. All members, apart from Dr Obuchowski, are considered financial experts. Mr Finegold joined the Board in August 2017 and became a member of the Committee from that date. Mr Davidson stepped down from the Committee in January 2017 when he retired from the Board.

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. 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
- Being assured of the independence and objectivity of the internal and external auditor and
- In 2018 there will be 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 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 listen to matters which he is able to participate in.

The Committee's terms of reference have been updated 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 risk management reports
- Consideration of new accounting standards and governance changes
- Review of the preparation of the viability statement for use in the 2017 Preliminary Statement and Annual Report and
- Review of internal audit plans and findings and recommendations

REPORT OF THE AUDIT COMMITTEE

CONTINUED

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. The Committee is considering the use of a formal auditor assessment tool for future review of audit effectiveness

During the reporting year to 31 December 2017, the activities of the Audit Committee were:

- › To ensure a smooth running of the Audit Committee following the addition of two new members over a 15-month period
- › Confirming to the Board that the Annual Report and Accounts is fair, balanced and understandable
- › Review and endorsement, prior to submission to the Board, of half-year and full-year financial statements, interim management statements and results announcements
- › Review and approval of internal audit reports, and findings and recommendations arising from the reports
- › Review and approval of risk management updates and the annual risk management process
- › Agreement of external and internal annual audit plans
- › Receiving updates on management responses to audit recommendations

- › Monitor changes in the approach to assessing the carrying value of goodwill and intangibles for possible impairment and review the conclusions of the assessment
- › Reviewing key accounting judgements relating to specific transactions as well as changes to any accounting policies affecting the Group's financial position and
- › Regular monitoring of key programmes across the Group including the plans for the implementation of a new billing and account 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, which are reviewed and approved by the Committee. 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.

The risk management process which had benefited from the Committee's input during 2016 continued to progress in being more focused on how mitigation activities would be implemented. This contributed to the quality of the viability statement review which is contained in the risk section of this Annual Report. New requirements for publishing a tax statement and compliance with new governance regulations were also part of the Committee's work schedule.

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.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 66), reported on matters that affected the quality and timely disclosure of financial and other material information to

the Board. This enabled the Audit Committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

SIGNIFICANT ACCOUNTING MATTERS

During 2017, 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 105 to 111.

CHANGE IN ACCOUNTING POLICIES

An in-depth review of revenue accounting, lease accounting and financial instruments has been completed in preparation for the implementation of IFRS 15, IFRS 16 and IFRS 9 respectively in 2018. IFRS 16 is to be early adopted in 2018 as the overall impact on the financial statements is considered low. As part of the assessment, management has outlined the Group's updated accounting policies to align with each of the standards. For revenue recognition, installation and Ligado revenue will have their recognition policies updated and the comparatives will be adjusted within the 2018 financial statements as permitted by IFRS 15. For lease accounting, a right to use asset will be recorded on the statement of financial position with a corresponding lease liability, while changes in the income statement will be mainly presentational. For financial instruments, there are no material changes expected. Further details of the expected adjustments are outlined in note 1.

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 remains unchanged from the prior year, 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.

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.

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 \$11m during the course of 2017 and will make aggregate payments of approximately \$118m in respect of 2018, payable in quarterly instalments. This revenue is currently recognised on an accruals basis. Under IFRS 15, the allocation of the revenue over the contract period will result in additional revenue of \$4.5m being recognised in 2018 when compared to the current accounting policy.

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 \$181.8m (at 31 December 2017) carried by Inmarsat in respect of the costs of implementation of this agreement is still to be determined. During 2017, Inmarsat recognised \$16.0m of deferred income; \$2.0m on a \$ for \$ basis against any costs incurred in freeing up spectrum for Ligado and \$14.0m as revenue to reflect the impact of the revenue deferral arising under the revised transition agreement.

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 Committee addresses these matters through a range of reporting from senior management and a process of challenging

the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. This is also 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.

To ensure that the Group's tax risk is managed conservatively and professionally, through 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.

Our tax principles are a clear articulation of our tax mission statement. These are subject to review by the Board of Inmarsat plc on an annual basis.

Inmarsat's tax function 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

The Group's tax strategy is available on our website.

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. We acknowledge the Auditor's advice and will review how any weaknesses will be remedied during the coming 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 55.

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. Moreover 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 etc. It presents its reports at each meeting covering updates on Internal Audit activities, results of audits and follow-up actions required.

REPORT OF THE AUDIT COMMITTEE

CONTINUED

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 the Committee is in the process of completing its work on this assessment for the most recent audit work using as a gauge for this the effectiveness guidelines provided by Deloitte. The Committee receives inputs from different sources such as the Auditors themselves, as well as management and 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 would 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 any assessments about the need to update processes or undertake further review work on any particular issues.

Deloitte LLP were reappointed at the 2017 Annual General Meeting and will also be put forward for reappointment at the 2018 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 the prior year, 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 (2016: \$1.1m) 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 enforced during 2017. 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 supplied to the Audit Committee at each meeting 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.

No non-audit services for 2017 were received from Deloitte compared to \$0.2m in 2016. A breakdown of the fees paid to Deloitte during the year 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 over the last few years.

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. Areas where we have used other firms relate to the new IFRS 15 and IFRS 16 standards and undertaking a review of our current accounting standards manual. 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 2016:

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 2017 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.

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 2017.

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, Andrew Sukawaty, and Senior Independent Director, Dr Abe Peled, 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 500 meetings or conference calls with buy side and sell side institutions in 2017, 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, and financial advisors, Oakley Advisory, 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.

2017 ANNUAL REPORT AND 2018 AGM

This audited 2017 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 2018 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 2018 are shown below:

2 May 2018
AGM and Q1 2018 results

2 August 2018*
Interim results for the half year to 30 June 2018

8 November 2018*
Q3 2018 results

*These dates are provisional and may change

500+

MEETINGS OR CONFERENCE CALLS WITH ANALYSTS AND INSTITUTIONS IN 2017

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2017 SNAPSHOT

SINGLE FIGURE

Chief Executive Officer



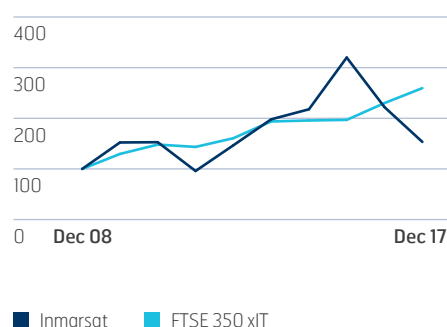
Chief Financial Officer



BONUS OUTCOME (% OF SALARY)



TOTAL SHAREHOLDER RETURN



SALARY

- > 2% increase for CEO and CFO, effective from 1 July 2017
- > UK average of 2.7% increase

ANNUAL BONUS

Measures and outcome

- > Revenue exceeded target but below stretch
- > EBITDA exceeded target but below stretch
- > Personal objectives – 73% for the CEO and 90% for the CFO

SHARE PLANS

- > 2017 BSA: 81% of allocated shares granted; target payout reduced for 2017 award
- > 2015 PSP: 30% vesting

SHAREHOLDER RETURNS

- > 2017 final year dividend: 12.00 cents (US\$)

2018 SNAPSHOT

SHARE PLANS

- > Change to BSA operation:
 - performance against each measure assessed on an independent basis
 - payout for target performance reduced to 80% of maximum; introduction of stretch target, the achievement of which will result in 100% payout
- > No changes in PSA and BSA award opportunities vs. 2017:
 - award of salary: 185% for CEO and 175% for CFO – final vesting may be lower but not higher than these percentages of salary
 - two-year hold on PSA awards which was introduced with effect from the 2017 award

These changes were implemented in the 2017 award as well.

ANNUAL BONUS PLAN

- > Annual bonus potential remains maximum of salary of 125% for CEO and CFO

Annual statement

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 2017.

During 2017, the Company has made steady progress against plan in terms of both financial performance and achievement of strategic objectives, which has positioned us well for the future. However, at the same time, we have experienced a significant decline in our share price, driven in part by the market's view of the satellite sector. The Committee has taken a holistic view of performance and made its decision to ensure that pay outcomes for Executive Directors this year have appropriately taken into account the progress made against our financial and strategic objectives as well as the decline in share price.

The annual bonus and the Bonus Share Award plan ('BSA') financial targets were partially achieved despite the impact of the costs of the workforce reduction exercise during 2017. We chose to retain these costs as part of this year's operating costs. This has the impact of lowering the outcome of both the BSA and annual cash bonus.

There is also partial vesting under the 2015 Performance Share Award plan ('PSA') for the delivery of the strategic objectives portion of that award reflecting some good progress against predetermined long-term strategic goals. These goals support the Company's

future financial performance and shareholder value creation. The TSR and financial metrics were not met and therefore there was no vesting for that portion of the PSA.

The Committee took careful account of the external environment when reviewing Executive Director salaries for the year; a 2% increase was applied, in line with RPI and below the average increase across the Company. The 2017 single figures for total remuneration are down 20% for the CEO and 15% for the CFO compared with last year, reflecting the changes made to the BSA arrangements retrospectively for 2017, and the fall in the Company's share price.

CHANGES TO BSA

As a reminder, we undertook a remuneration review in 2016, and at the 2017 AGM put forward a revised Remuneration Policy for shareholder approval. The new Policy was approved with over 90% votes in favour, but the advisory vote for the 2016 Annual Report on Remuneration received just over 51% support. As a Board, we take seriously the views of our shareholders, and in light of the voting outcome, the Committee commenced a fresh review of the Company's approach to remuneration and spent considerable time engaging with shareholders during 2017 and early in 2018. The review focused on the BSA, which was the main area of shareholder concern.

We reflected on the shareholders' comments we had received, and are making two key changes to the implementation of the BSA. Firstly, performance against each measure

will now be assessed on an independent basis, ie there will no longer be an opportunity to 'offset' any underperformance against one measure with outperformance against the other. Secondly, payout for target performance will be reduced from 100% to 80% of maximum, and a stretch target will be introduced, the achievement of which will be required for full payout. The Committee, Company Chairman and the Executive Directors wanted to acknowledge the strong views of some shareholders on this matter quickly and decisively. We therefore took the decision to apply these changes on a retrospective basis to awards made to Executive Directors in 2017, as well as to future awards.

The Committee engaged with major shareholders and proxy advisors on these changes prior to the 2018 AGM, and received strong support. During consultation, we also received comments from some shareholders around the current mix of performance measures in our incentive plans and these have already been reported back to the Remuneration Committee. We intend to review this area more fully during 2018, and will consult again ahead of making any significant changes. We thank our shareholders for your valued input into the engagement process and continued support for the Company, and remain committed to ongoing dialogue.

REMUNERATION REPORT CONTINUED

REMUNERATION DECISIONS IN 2017

Based on 2017 performance, the CEO and the CFO will receive annual cash bonuses of 82% and 88% of salary, respectively. The bonuses reflect both the financial performance of the Company and the individual contributions made by each of the Executive Directors over the last year. Based on performance and taking into account the changes set out above, 81% of the 2017 BSA will be awarded in March 2018 and will vest in equal tranches in March 2019, 2020 and 2021, subject to continued employment. Summaries of performance against bonus and BSA targets are included on pages 87 and 88.

Based on performance to 31 December 2017, 30% of the share award made under the 2015 PSA will vest in March 2018, driven by strong progress against long-term strategic targets. We introduced strategic objectives in the PSA in 2015 as we believed it was important for management to be focused on delivering critical strategic programmes, which would in turn drive long-term shareholder value creation. The Committee considered strategic performance over the three-year period, including quantitative and qualitative outcomes; detailed information is set out on page 89.

After taking into account overall performance against the individual strategic objectives, as well as taking a holistic view of the Company's performance over the period, 30% out of 40% will vest for strategic performance. Targets for the relative TSR (30% of total award) and EBITDA (30% of total award) elements were not met and as such there will be no vesting for either element.

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018

For 2018, the maximum annual bonus opportunity will remain 125% of salary. The financial element of the bonus (representing 70% of maximum) will continue to be measured by reference to EBITDA and revenue. The element on personal performance and contribution will continue to be weighted 30% of maximum.

BSA opportunities for 2018 will remain 185% and 175% of salary for the CEO and the CFO, respectively. Payout will continue to be linked to the achievement of EBITDA (67% of total award) and revenue (33%) targets. The two measures will be considered independently, and payout for target performance will be reduced to 80% of maximum, with 60% payout delivered for threshold performance and full payout for stretch performance.

No changes are proposed to award levels or performance measurement for the PSA for 2018. The CEO and the CFO will receive awards of 185% and 175% of salary, respectively. Vesting will continue to be based on relative TSR against the constituents of the FTSE 50-150 excluding investment trusts (30% of total award), EBITDA (30%) and the delivery of specific strategic objectives considered key drivers to our future success (40%). A two-year holding period, which was introduced to awards starting in 2017, will apply to vested PSA shares, during which time shares may not be sold except to cover taxes.

Further detail on the implementation of our Policy for 2018 is included on pages 93 to 95.

SUMMARY

I would like to thank shareholders for their input during the year, and my fellow members of the Remuneration Committee and all the Non-Executive Directors for their valuable contribution to the remuneration agenda for 2017 and discussions held in 2018. I hope we can count on shareholders' support at the 2018 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. As always, I am available to meet and discuss our remuneration arrangements with shareholders.

SIMON BAX
CHAIRMAN,
REMUNERATION COMMITTEE

9 March 2018



WE REFLECTED ON SHAREHOLDERS'
COMMENTS AND ARE MAKING TWO KEY
CHANGES TO THE IMPLEMENTATION
OF THE BONUS SHARE AWARD

2017 Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by a binding shareholder vote at the 2017 Annual General Meeting and took effect from the date of the AGM. This section presents the full Policy, for ease of reference. The sections presented are as disclosed in the 2016 Directors' Remuneration Report, save the following changes:

- › Payout profile for the BSA has been updated to reflect the reduced payout at target and the addition of a stretch level of performance
- › References to financial years have been updated where appropriate
- › Pay scenario charts have been updated to reflect the latest salaries and
- › Details of current Non-Executive Directors' letters of appointment

The Group's Remuneration Policy is designed to deliver rewards that enable it to attract, retain and motivate talent of the highest appropriate quality, linking rewards to the achievement of financial and strategic goals of the Group. When determining Remuneration Policy, we take into account all factors which we deem necessary, including 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 the global economic situation. Where appropriate, we will consult with shareholders in advance of major changes in the Remuneration Policy or where we consider there are material changes to individual remuneration arrangements. 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 objectives which will create value for shareholders.

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.	Salaries are reviewed annually with any increase generally made in July or following a material change in responsibilities. The Committee will determine any increases to be made. 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 performance, as well as the remuneration arrangements operated throughout the Group, with reference to UK-based employees in particular for pay comparison levels.	Salary increases will be applied in line with the outcome of an annual salary review. 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. Where increases are awarded in excess of that for the UK employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Based on Company performance and individual contribution.
BENEFITS IN KIND			
We provide cost-effective benefits which support the wellbeing of employees.	Provision of death, long-term sickness and medical and dental insurance cover (which can include spouse and dependents 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 in the event of relocation, eg temporary accommodation and other related costs will be considered on a case-by-case basis. These benefits are non-pensionable.	The benefits provided 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 (eg 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 Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements or other similar pension plans as appropriate to the Executive Director's nationality or location. The Company also operates an auto-enrolment pension scheme which an Executive Director could participate in instead of the main pension plan. Contributions are based on a percentage of salary which is currently limited to a pensions cap.	Maximum employer contributions are currently 12.5% of the capped salary under the terms of the UK pension plan. The Committee may review pension contribution levels in the future. Any increase in contributions would not result in a pension contribution in excess of 20% of the uncapped 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 CASH BONUS			
<p>We provide an annual bonus to incentivise the achievement of annual financial and operational goals in line with Group strategy.</p> <p>Performance metrics are selected to support the annual business strategy which we believe also lead to enhancement of shareholder value.</p>	<p>Bonus payment levels are determined by the Committee annually by reference to performance against targets set at the start of the financial year. Personal objectives are set annually by the Committee.</p> <p>In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance, and to reflect the actual delivery of value to shareholders. Any discretionary adjustments will be detailed in the following year's Annual Report on Remuneration.</p> <p>The Committee may exercise its discretion to claw back bonuses in certain exceptional circumstances which may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the financial results of the Group.</p>	<p>Maximum opportunity:</p> <ul style="list-style-type: none"> > 125% of salary <p>Threshold and Target opportunity:</p> <ul style="list-style-type: none"> > 0% and 75% of salary respectively 	<p>Bonus is based on achievement of annual financial and personal objectives.</p> <p>The personal element will not be weighted more than 30% of the total in any year.</p> <p>Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration.</p> <p>The Committee may change the measures used if other measures are deemed more suitable to allow delivery of the Company's strategy.</p>
BONUS SHARE AWARD ('BSA')			
<p>We provide the opportunity to participate in the BSA as it links the delivery of short-term financial and operational performance to sustained shareholder value creation.</p> <p>Participation in the BSA reinforces continued delivery of the LRBP as vesting of shares occurs over three years after performance has been tested.</p>	<p>We make annual allocations of conditional shares which are confirmed the following year, subject to achievement of agreed annual performance targets. The resulting shares vest over the subsequent three years, subject to continued employment.</p> <p>Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.</p> <p>Unvested awards and vested awards that have not yet been transferred to the Executive Director are subject to adjustment for malus and clawback, ie forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the previously reported financial results of the Group.</p>	<p>Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances, as permitted in the Executive Share Plan Rules).</p> <p>Threshold and Target performance result in 60% and 80% conversion of the monetary award into shares, respectively.</p>	<p>The Committee sets annual performance measures (currently based on the same financial objectives as for the annual cash bonus plan) and may change these for future awards as it considers appropriate.</p>
PERFORMANCE SHARE AWARD ('PSA')			
<p>We believe the PSA aligns executives' interests with long-term shareholder value creation through rewarding the delivery of a mix of financial and strategic measures.</p> <p>The performance measures in the PSA reflect the value drivers in the LRBP.</p>	<p>We make annual awards of conditional shares, which vest after a minimum of three years subject to performance over a three-year period.</p> <p>A mandatory two-year holding period applies to vested awards commencing with the award to be made in 2017.</p> <p>Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.</p> <p>Unvested awards are subject to adjustment for malus and clawback, ie forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the previously reported financial results of the Group.</p>	<p>Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances, as permitted in the Executive Share Plan Rules).</p> <p>Threshold performance will result in the vesting of 30%/0%/0% of the maximum award under the TSR/EBITDA/strategic performance elements (which are the current performance measures being used).</p>	<p>The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, and will include a financial measure. Strategic measures, if included, will not be weighted more than 40% of the total award in any year.</p> <p>Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration. Changes to weightings and performance targets will be retrospectively explained to shareholders.</p>
EMPLOYEE SHARE PLANS			
<p>To encourage share ownership across all employees as allowed by HMRC and relevant local laws.</p>	<p>We operate employee share savings plans for our global workforce where, depending on location, savings periods of between two and three years operate.</p> <p>We will look at opportunities to offer other employee share plans in the future.</p>	<p>Participation levels set by HMRC or relevant local laws from time to time.</p>	<p>Not applicable.</p>

PAYMENTS FROM EXISTING VARIABLE PAY AWARDS

Executive Directors are eligible to receive payment from any award made prior to the approval of the 2017 Remuneration Policy, eg awards made under the 2014 Policy. Any commitment made which is consistent with the Remuneration Policy in force at the time the commitment was made will be honoured, even when it is not consistent with the Policy prevailing at the time such commitment is fulfilled. Details of any such outstanding share awards to Executive Directors are provided in the Annual Report on Remuneration.

PERFORMANCE MEASUREMENT SELECTION

Our incentive plans (excluding restricted share awards and all-employee share plans) all include financial performance requirements. Performance targets are set to be stretching, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are set taking into account a range of reference points including the Group's LRBP, the market in which the Company operates, the expected performance of competitors in these same markets, broker forecasts and latest internal forecasts. Achievement of these targets delivers to shareholders the value inherent in the LRBP.

The annual cash bonus plan and BSA reflect the financial targets which the Board believes are key to driving the business. Revenue and EBITDA reflect the underlying financial success of the business and support the annual business strategy as well as value creation for Inmarsat's shareholders.

The PSA currently has three performance requirements, which are EBITDA growth, the Company's total shareholder return performance against the FTSE 50-150 excluding investment trusts, and delivery of strategic objectives. All three performance metrics are linked to our long-term business strategy, and support shareholder value creation.

The Committee retains the ability to adjust and/or set different performance measures 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 are no longer appropriate and that amendment is required so that they achieve their original purpose.

REMUNERATION POLICY FOR OTHER EMPLOYEES

Remuneration arrangements throughout the Inmarsat Group are determined on the same principles as for remunerating Executive Directors, in that reward should support our business strategy. It should be sufficient to attract and retain high-performing individuals.

As a global business we accept that there may be different local arrangements that are appropriate to apply but, overall, this principle applies across the different geographies in which we operate. Employees receive variable pay which gives them incentives appropriate to their role in the organisation and is reflective of how we deal with Executive Directors too.

In general, the remuneration policy and principles which apply to other senior executives is consistent with that set out in this report for Executive Directors. All employees participate in bonus schemes. Group senior executives are eligible to participate in the BSA and some also participate in the PSA. The BSA may from time to time operate with division-specific targets for some participants and the PSA may have slightly different performance measures in place than those used for the Executive Directors, as appropriate.

All employees are eligible to participate in employee share plans which are generally the UK Sharesave Scheme, Employee Share Participation Plan (for U.S. and Canadian employees) or an equivalent international plan. Participation is on generally the same terms subject to local regulations.

SHAREHOLDING GUIDELINES

The guideline for Executive Directors is that they hold Company shares equivalent to five times base salary. For the purpose of this guideline, shares owned includes beneficially owned shares and shares that are unvested and subject to continued employment only, under the BSA and PSA plans.

For new Executive Directors, we would expect the individual to build up a shareholding to the five times guideline over a period of time, generally within five to seven years.

PAY SCENARIO CHARTS FOR THE CEO AND CFO

The following charts provide an estimate of 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 current incentive opportunities, applied to salaries as at 1 January 2018. Note that the projected values exclude the impact of any share price movement.

Each element of remuneration reflects the following assumptions:

- **Minimum:** includes fixed remuneration only, ie base salary, taxable benefits and pension
- **Target:** includes fixed remuneration plus the amounts for on-target performance under the annual cash bonus plan (60% of maximum of 125% of salary) and the BSA (80% of maximum opportunities of 185% and 175% of salary for the CEO and CFO, respectively) and threshold performance under the PSA (30%/0%/0% of maximum under the TSR/EBITDA/strategic performance elements, based on maximum opportunities of 185% and 175% of salary for the CEO and CFO respectively)
- **Maximum:** includes fixed remuneration and maximum payment under all incentive plans

PAY SCENARIOS £000

Chief Executive Officer

Maximum	17%	21%	62%	£3,522
On-target	30%	22%	48%	£2,019
Minimum	100%			£608

Chief Financial Officer

Maximum	18%	22%	60%	£2,793
On-target	31%	22%	46%	£1,615
Minimum	100%			£503

■ Fixed remuneration ■ Annual bonus ■ Share plans (BSA and PSA)

REMUNERATION REPORT

CONTINUED

APPROACH TO RECRUITMENT REMUNERATION

EXTERNAL APPOINTMENTS

In the event we hire a new Executive Director, the Committee will typically align the remuneration package with the approved Remuneration Policy.

In determining appropriate remuneration arrangements on hiring a new Executive Director, we will take into consideration all relevant factors (including but not limited to current remuneration, the type of remuneration arrangements for other Inmarsat executives, external market data and the jurisdiction the candidate was recruited from and may be based in) to ensure that arrangements are in the best interests of both our Company and its shareholders. The Remuneration Policy in place will apply to the new appointment unless there are variables to the appointment which are noted below and are agreed by the Committee as appropriate to offer.

The Committee may make awards on hiring an external candidate to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so, we will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (for example, cash or shares), the time over which they would have vested and the share price at the time of buy-out. Generally buy-out awards will be made on a comparable basis. The Committee has the discretion to determine whether such buy-outs shall be granted as Bonus Share Awards, Performance Share Awards or Restricted Share Awards under the ESP. The Committee may also avail itself of the provision in the Listing Rules (Chapter 9.4.2) regarding long-term incentive awards in relation to the buy-out of awards forfeited on leaving a previous employer.

Component	Approach	Maximum annual value
Basic salary	To be determined by reference to relevant market pay levels, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role.	
Pension and benefits	To be eligible to receive benefits in line with the current Policy, and as well as any expatriation allowances and any necessary expenses relating to an Executive Director's relocation on appointment.	
Sharesave Scheme	To be entitled to participate on identical terms to other employees.	
Annual cash bonus	The scheme as described in the Policy table will apply to new appointees. The Committee will determine on a case-by-case basis whether the executive on joining the Company will receive the full annual payment or a pro-rata amount.	125% of salary
Bonus Share Awards	To participate in annual awards on the same terms as other Executive Directors, as described in the Policy table. The Committee will determine on a case-by-case basis whether the executive on joining the Company will receive the full annual allocation or a pro-rata amount.	Up to 200% of salary (300% in exceptional circumstances)
Performance Share Awards	To participate in annual awards on the same terms as other Executive Directors, as described in the Policy table. The Committee will determine on a case-by-case basis whether the executive on joining the Company will receive the full annual award or a pro-rata amount.	Up to 200% of salary (300% in exceptional circumstances)
Restricted Share Awards	To make awards of shares which vest in accordance with a schedule agreed by the Committee, subject to continued employment only. Awards will typically be made to facilitate the 'buy-out' of awards forfeited on leaving a previous employer, and the vesting schedule will typically match that of the awards forfeited. Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.	Up to 200% of salary (300% in exceptional circumstances)

INTERNAL APPOINTMENTS

Any individual who is promoted to become an Executive Director will be treated on the same basis as if they were an external hire in respect of the elements of remuneration and benefits. Where the new appointee has an initial salary set below market, any shortfall will be managed with phased increases over a period of several years, subject to the executive's development in the role. Such individuals are also eligible to receive payment from any award made prior to their appointment to the Board.

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

The Company in its absolute discretion may agree a shorter notice period with the departing Director. All 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.

Severance payments in relation to the service contract are limited to no more than one year's base salary plus other benefits, which may include annual bonus (subject to performance conditions being fulfilled and pro-rated for time and payable at the normal annual bonus payment date), unless the Committee believes this is unreasonable given the circumstances for departure or unless dictated by applicable law.

The Committee reserves the right to make additional exit payments where such payments are made in good faith:

- In discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or
- By way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment

The Committee retains discretion to determine appropriate bonus amounts and vesting of share-based awards, as well as the timing of vesting, taking into consideration the circumstances in which an Executive Director leaves. The rationale for any discretion if exercised will be provided in the following year's Annual Report on Remuneration.

Reason for leaving	Timing of vesting	Treatment of awards
Annual bonus		
Good leaver (see below for definition)	Normal payment date.	Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year.
All other reasons	Awards lapse.	Not applicable.
BSA		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate.	Any allocated but not yet granted shares will be granted at the Committee's discretion. The treatment of unvested shares is at the Committee's discretion.
All other reasons	Awards lapse.	Not applicable.
PSA		
<i>During the vesting period:</i>		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding awards will be pro-rated for time and subject to performance conditions being met.
All other reasons	Awards lapse.	Not applicable.
<i>During the post-vesting holding period:</i>		
All leavers	Not applicable.	Not applicable – awards, once vested (including those in any holding period), are treated as owned by the individual and are subject to clawback provisions.
RSA		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate.	Any outstanding awards will be pro-rated for time.
All other reasons	Awards lapse.	Not applicable.
Employee Share Plans		
Good leaver (see below for definition)	Share options can be exercised for a certain period of time after departure.	The individual will be entitled to exercise his share options in accordance with HMRC approved rules or local equivalent rules.
All other reasons	Awards lapse.	Not applicable.

A 'good leaver' is the departure of an Executive Director for reasons of ill health, redundancy, retirement, death or any other reason which the Committee in its absolute discretion permits. Termination for cause is regarded as a bad leaver and no awards shall vest.

Upon a change of control of the Company, share awards may be transferred to participants in accordance with the Executive Share Plan Rules, based on the extent to which the Committee determines that the performance conditions have been met. 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 immediately. The final treatment for the annual bonus remains subject to the Committee's discretion.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director's performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of the Executive Director (where it is in the service agreement) to mitigate any loss which he may suffer as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Executive Director's termination package, including (without limitation) compensation for the waiver of statutory rights in exchange for him executing a settlement agreement, payment of the departing Executive Director's legal fees in connection with his termination arrangements, and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on a consultancy arrangement or other terms following cessation of his directorship.

REMUNERATION REPORT

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NON-EXECUTIVE DIRECTORS

For the recruitment of a new Non-Executive Director ('NED'), the individual will receive a letter of appointment which will summarise the time requirement expected of them and set out details of their fees (base fee and Committee membership fee). Fees will be the same level as for other NEDs, except where the Nominations Committee determines that a different level is appropriate based on individual contribution.

Element	Purpose and link to strategy	Operation	Maximum
NED fees	To attract and retain high-calibre NEDs by offering a market competitive fee level	<p>The NEDs are paid a basic fee.</p> <p>The Committee Chairmen and other members of the Board Committees (Audit, Remuneration, Nominations and Telecoms Regulatory Committees) and the Senior Independent Director are paid supplements to reflect their additional responsibilities.</p> <p>The Chairman of the Board will be paid a single fee for all his responsibilities, and receive healthcare cover.</p> <p>NED fee levels are reviewed periodically by the Chairman and Executive Directors with reference to market levels in comparably sized FTSE companies and a recommendation is then made to the Board. The Chairman's fee is reviewed by the Committee taking into account fee levels at the same set of companies, and is then approved by the Board. If any changes are to be made, they are usually effective in July.</p>	<p>To avoid setting expectations, there is no maximum fee level.</p> <p>The maximum annual aggregate fee for all Group NEDs is £1,000,000, as set out in the Company's Articles of Association.</p>

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. The UK Corporate Governance Code has special provisions regarding determination of the independence of Directors when they have served for more than nine years.

Non-Executive Directors do not have contracts of service and their appointment will normally terminate 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
Warren Finegold ¹	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

¹ Mr Finegold was appointed to the Board with effect from 1 August 2017

Non-Executive Directors do not receive an annual bonus and do not participate in any of the Company's incentive plans. They receive no benefits, except that healthcare cover is provided for the Chairman, as a continuation of the cover provided to him previously. The Company reimburses the reasonable expenses the Non-Executive Directors incur in carrying out their duties as Directors.

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-authorization 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 ('SID') for anything affecting him.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

Although we do not consult directly with employees on executive Remuneration Policy, 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. With the upcoming proposal from the UK Financial Reporting Council for greater employee engagement expected to be implemented during 2018, the Company is already considering how it will respond to this to ensure a productive and supportive environment for such dialogue to occur and will report on it in the 2018 Annual Report.

The Group already 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.

CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee considers shareholder views and the guidelines of investor bodies. 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 or individual arrangements, and is committed to consulting shareholders in advance of major changes. Details of votes cast for and against the resolution to approve last year's Annual Report on Remuneration are provided in the Annual Report on Remuneration section of this Report.

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 2017 and how the Committee intends to implement the Policy in 2018.

The Regulations require our external auditors to report to shareholders on the audited information within this report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act. The external auditors' opinion is set out on pages 105 to 111 and we have clearly marked the audited sections of the report.

REMUNERATION COMMITTEE MEMBERSHIP IN 2017

The Committee consists entirely of independent Non-Executive Directors. We had five scheduled meetings during the year to discharge our responsibilities with additional calls and discussions as required. Committee membership and attendance at scheduled meetings are set out in the table below:

Committee members	Attendance
Simon Bax (Committee Chairman)	5/5
Stephen Davidson ¹	1/1
Sir Bryan Carsberg	5/5
Warren Finegold ²	2/2
Kathleen Flaherty ¹	2/2
General C. Robert Kehler (Rtd)	5/5

¹ Mr Davidson and Mrs Flaherty retired as Non-Executive Directors on 19 January and 2 March 2017, respectively

² Mr Finegold was appointed to the Board on 1 August 2017

During the year, the Committee operated to a forward agenda which ensured that items were discussed at the appropriate time during the year. Its key activities included:

- Review and approval of the 2016 Directors' Remuneration Report and preparation of the 2017 Report
- Approval of the statement to be included on the Company website regarding the vote on the 2016 Annual Report on Remuneration
- Preparation for the 2017 AGM
- Review of key shareholder themes, feedback and voting
- Shareholder consultation on proposed changes to the Bonus Share Award
- Comprehensive discussion and review of the Bonus Share Award, and consideration of changes to the plan in response to shareholder feedback which led to changes being made to the 2017 and future awards
- Review of Executive Director total remuneration against a summary of recent trends in executive remuneration
- Review and approval of incentive outcomes for the prior year
- Approval of opportunities/award levels and performance targets for the 2017 annual cash bonus, BSA and PSA awards
- Review of incentive plans across the Group
- Review of the ISS pay for performance comparator group and analysis and
- Review of the Company's Gender Pay report

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ADVISORS

During 2017, the Committee was advised internally by Andrew Sukawaty (Chairman), Rupert Pearce (CEO), Tony Bates (CFO), Alison Horrocks (Chief Corporate Affairs Officer and Company Secretary), Natasha Dillon (Chief People Officer) and Matt Smith (Head of Reward). Dr Abe Peled, the Senior Independent Director, also attended meetings. No member of management is present at a Committee meeting when their own arrangements are being discussed.

Mercer Kepler was appointed by the Committee after consultation with the Board in September 2012 following a tendering process, and has continued to act as the Committee's independent external advisor during the year. Mercer Kepler reports directly to the Committee Chairman and is a signatory of the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Mercer Kepler provides no non-remuneration-related services to the Company and is therefore considered independent. Mercer Kepler's parent, the MMC Group, provides unrelated services to the Company in the areas of pension investment advice and actuarial services to the Trustee to the Inmarsat UK Pension Plan. During 2017, Mercer Kepler's fees were based on time and materials, and fees in relation to advice to the Committee (excluding VAT and expenses) totalled £49,520 (2016: £84,250).

SUMMARY OF SHAREHOLDER VOTING AT THE 2017 AGM

The following table shows the results of the binding shareholder vote on the 2017 Remuneration Policy and of the advisory shareholder vote on the Annual Report on Remuneration of the 2016 Directors' Remuneration Report, at the 2017 AGM:

	2017 Remuneration Policy		2016 Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	291,331,925	90.39%	165,153,571	51.14%
Against	30,971,298	9.61%	157,818,509	48.86%
Total votes cast (excluding withheld votes)	322,303,223		322,972,080	
Votes withheld	29,263,436	n/a	28,594,579	n/a

In light of the voting outcome on the Annual Report on Remuneration, the Committee commenced a fresh review of the Company's approach to remuneration, focusing on the Bonus Share Award plan, which was the main area which drew shareholder comment. The Committee spent considerable time reviewing the operation of the plan and concluded that whilst the BSA has served both the Company and the shareholders well since its adoption on IPO in 2005, some aspects of it could be clarified and improved.

Two key changes to the implementation of the BSA have therefore been made, to be applied retrospectively to the award made in March 2017 as well as in future years. Firstly, performance against each measure is now assessed on an independent basis, ie there will no longer be an opportunity to 'offset' any underperformance against one measure with outperformance against the other. Secondly, payout for target performance is reduced from 100% to 80% of maximum, and a stretch target is introduced, the achievement of which is required for full payout. Payout for threshold performance remains 60% of maximum as set out in the approved Policy.

The Committee remains committed to ongoing dialogue with shareholders to facilitate the Committee's understanding of shareholders' views, and shareholders' understanding of the Company, the environment in which it operates and how this translates into remuneration decisions.

SINGLE FIGURE OF TOTAL REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2017 and the prior year:

	Rupert Pearce £000		Tony Bates £000	
	2017	2016	2017	2016
Basic salary	583	566	477	464
Taxable benefits ¹	3	4	3	3
Pension ²	17	16	17	16
Annual cash bonus ³	478	487	422	399
Bonus Share Award ⁴	614	857	476	664
Performance Share Award ⁵	180	416	137	262
Total	1,875	2,346	1,532	1,808

1 Taxable benefits: include healthcare and benefits relating to staff entertaining. The tax due in respect of the staff entertainment benefit is settled by the Company. The Company also reimburses the travel costs incurred by Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. These travel expenses are subject to a specific deduction under HMRC rules and are not taxable

2 Pension: payment made by the Company as cash in lieu of pension (see page 92 for details)

3 Annual cash bonus: cash bonus payments in relation to the financial years ended 31 December 2017 and 2016 (see pages 87 and 90 for details)

4 BSA: values the BSA shares in relation to the financial years ended 31 December 2017 and 2016. Performance is tested prior to grant for BSA shares. For 2016, the value is based on the spot share price on the grant date (being 9 March 2017) of £7.62. The award value has been revised from last year's report to reflect the actual share price on grant. For 2017, as the share price on the grant date (expected to be around 12 March 2018) is currently unknown, the award is valued using the average share price over the last quarter of 2017 of £5.40

5 PSA: the value at vesting of awards vesting on performance over the three-year periods ended 31 December 2017 and 31 December 2016. For 2016, the 2014 PSP is valued based on the spot share price on the vesting date of £7.92. 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 2017, as the share price on the vesting date is currently unknown, the 2015 PSA is valued using the average share price over the last quarter of 2017 of £5.40

Note: the figures provided for the BSA and PSA awards in the table above have been valued in line with the single figure methodology, and based on share price assumptions at or around the time of grant. The actual value received by the individual may differ, as the individual will receive the value of the award only when the award vests and is released at future dates, subject to the individual still being in employment on the future vesting dates.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2017 (AUDITED)

ANNUAL CASH BONUS IN RESPECT OF 2017 PERFORMANCE

In 2017, the annual cash bonus was based on the achievement of Group financial targets and individual performance objectives. Financial performance was measured by reference to revenue (33%) and EBITDA targets (67%). Revenue and EBITDA are two measures which have strong line-of-sight, are easily understood and are two of our key reporting metrics to shareholders. The same performance metrics are used in the annual bonus plan for all employees. The Committee has the ability to apply up to 30% of the maximum bonus opportunity potential in consideration of the achievement of personal objectives.

In line with the previous approach, the Committee will disclose the 2017 financial targets in next year's Annual Report on Remuneration. We believe the targets used are commercially sensitive if made public in the same reporting period to which they apply.

Some of the key personal objectives for the Executive Directors for 2017 are noted below. Some have been excluded where we believe they may be commercially sensitive if published.

CEO:

- **Maritime:** successful ramp up of Fleet Xpress and transition of XpressLink users to Fleet Xpress
- **Aviation:** increased number of airline contract wins and ramping up of installs and service delivery for Global Xpress services
- **Digital:** created new digital office with hiring of Chief Digital Officer with a focus and mandate on digital business commercialisation
- **China:** engaged with local companies to develop manufacturing opportunities across all Inmarsat services
- **Key projects:** reviewed technology roadmap to consider business model for Connected Car opportunity and decided not to actively process until the market opportunity matured

CFO:

- **Smart pricing:** developed new product and pricing architecture and improved pricing process
- **Optimised procurement:** instigated a programme to maximise value delivered by procurement activities through cost reduction and avoidance
- **Balance sheet management:** ensured improved careful management of overdue receivables, inventory and cash management
- **Key business programmes:** introduced new simpler distribution agreements and associated terms and conditions for partners
- **Long-term operational efficiency:** implemented new billing system and ERP enhancements
- **Investor relations:** focused on increased education of satellite industry to extend shareholder base

REMUNERATION REPORT

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In 2017, revenues including Ligado were \$1,400m, which exceeded target performance but was below stretch performance. EBITDA including Ligado was \$732m, which also exceeded target performance but was below stretch performance. The EBITDA outturn figure includes in full the costs of the workforce reduction exercise during 2017. Although the workforce reduction had not been budgeted for at the start of 2017, the Committee determined to include the costs in full as part of operating costs when finalising the annual bonus outcome, which reduced the final amount to be paid. The bonus payout in respect of financial performance is 44% out of a maximum of 70% of total bonus. The Committee also considered the Executive Directors' achievement of personal objectives during the year, and payout in respect of personal performance was 22% out of a maximum of 30% of total bonus for the CEO and 27% for the CFO.

The maximum and target annual cash bonus amounts that could be made and actual bonus which will be awarded to each Executive Director are set out in the next table.

Executive Director	Target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus outcome for 2017 financial year (% of salary)
Rupert Pearce	75%	125%	82%
Tony Bates	75%	125%	88%

BSA IN RESPECT OF 2017 PERFORMANCE

An allocation of shares was made on 9 March 2017 at a share price of £7.62 in respect of the March 2017 BSA. The confirmation of these awards is based on Company performance for the financial year ended 31 December 2017. 67% of the 2017 award was linked to EBITDA and 33% to revenue.

Two key changes to the implementation of the BSA have been made for 2017 and future years, in response to shareholder feedback. Performance against each measure is now assessed on an independent basis. Further, payout for target performance is reduced from 100% to 80% of maximum, and a stretch target is introduced, which needs to be met for full payout. Payout for threshold performance remains 60% as referenced in the Policy. Actual performance relative to the targets was as follows:

Performance measure	Weighting (% of maximum)	Actual performance against target
EBITDA	67%	EBITDA was \$732m (including Ligado and the unbudgeted costs incurred for the workforce reduction) which exceeded target performance but was below stretch performance
Revenue	33%	Revenues were \$1,400m (including Ligado), which exceeded target performance but were below stretch performance

As was the case for the annual bonus, the EBITDA outturn figure for the purpose of the BSA also includes the one-off restructuring costs in 2017, which reduced the final outcome.

Based on performance, 81% of the original allocation of shares made in March 2017 will be awarded in March 2018, and will vest in equal tranches in March 2019, 2020 and 2021. The table below shows the confirmation of the number of shares awarded for the 2017 BSA.

Executive Director	Maximum monetary award	Allocation strike price (9 March 2017)	Number of shares allocated in March 2017	Conversion rate based on performance for year ended 31 December 2017	Confirmed number of shares to be awarded in March 2018
Rupert Pearce	£1,067,486	£7.62	140,182	81%	113,547
Tony Bates	£827,347	£7.62	108,647	81%	88,004

As per our approach for the annual cash bonus and for the same reasons, the Committee will disclose the 2017 BSA targets in next year's Annual Report on Remuneration. We believe the targets used are commercially sensitive if made public in the same reporting period to which they apply.

2015 PSA AWARD IN RESPECT OF PERFORMANCE OVER THE PERIOD 2015–2017

In 2015, the CEO and CFO received awards of conditional shares under the PSA, which are set out in the table below. The outcome of the 2015 PSA is that they will each receive 30% of their total award.

Executive Director	Date of grant	Award as % of salary	Awards granted (2015)	Market price at date of award	Face value at grant of award (2015)	Awards confirmed	Vesting date
Rupert Pearce	30 March 2015	200%	111,089	£9.34	£1,037,294	33,327	30 March 2018
Tony Bates	30 March 2015	175%	84,337	£9.34	£787,497	25,301	30 March 2018

Vesting of the awards is dependent on three-year TSR vs. the FTSE 50-150 (excluding investment trusts), three-year EBITDA growth (excluding Ligado), and the achievement of specific strategic objectives, all measured over the three years to 31 December 2017 and weighted 30%, 30% and 40%, respectively. 2015 was the first year in which the Company introduced the use of strategic objectives to measure performance in the PSA. The Company believes that it is important for management to be focused on delivering critical strategic programmes which will drive long-term shareholder value creation, and the strategic objectives described below were selected to assess delivery of this value. There is no re-testing of performance. Performance targets for these awards are as follows, which deliver an overall award of 30%:

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)	17th percentile	0% (out of 30%)
Three-year EBITDA growth p.a. (excluding Ligado)	30%	Less than 4%: nil vesting 4%: 0% vesting 10%: 100% vesting (straight-line vesting applies between 4% and 10%)	-1.0% p.a.	0% (out of 30%)
Strategic objectives	40%	The key areas are noted below with details. Achievement against strategic objectives was considered as a whole	See below	30% (out of 40%)

Details of performance against the strategic objectives included but were not limited to:

Specific targets	Actual performance
GLOBAL XPRESS	
Completion of the successful launch and market entry for next generation of Inmarsat 5 satellites	
> Launch of Inmarsat-5 F2, F3 and Global CSI, and also then the launch of Inmarsat-5 F4	We had successful launches of Inmarsat-5 F2 launched April 2015, F3 launched December 2015, Global CSI December 2015 and F4 launched May 2016; Global CSI was later than planned because of launch vehicle issues
> How the run rate of GX revenues was against internal expectations and being on track to deliver end of year five from Global CSI, a \$500m p.a. run rate of revenue	GX revenues in 2017 of \$142.3m and the Company is on track to meet the \$500m GX revenue target
> Successful conversion of XpressLink ('XL') into Global Xpress ('GX') in the maritime business area by 31 December 2017	Conversion of XL to GX well underway with 1,000 vessels migrated although the programme is running slower than expected due in part to delayed GX CSI
> How well we could penetrate the Energy/resources and other Enterprise markets as well as extending further into broader Government and miltatcoms markets	We have various Take or Pay arrangements with key partners – including Boeing, Honeywell and RigNet. Generally these have gone well and are tracking or exceeding their agreements with us, although the RigNet contract has been cancelled. On the enterprise and government opportunities for GX, we saw traction starting in 2017
> Successful extension into global Air Passenger Connectivity markets	We are very pleased with the aviation In-Flight Connectivity opportunity with over 1,300 commercial aircraft under contract (and around 3,000 aircraft in our new business pipeline); plus we have seen progress with further wide-body aircraft GX certification and JetConneX gaining traction

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Specific targets	Actual performance
S-BAND	
Putting in place all key building blocks of the aviation leadership programme business case which will support material revenues beyond 2017	
> Deliver the S-band satellite for launch on time and to budget	The S-band satellite was launched to plan in H1 2017
> Deliver ACGC network and OBE for first revenues	The ACGC network and OBE is in progress with first revenues now expected H1 2018. This was delayed due to additional terminal development requirements and for testing to be completed
> Secure spectrum licences to operate the EAN (combined satellite/ACGC service)	All 28 EU and 2 non-EU MSS licences were secured by H1 2017 and we have all 28 EU and 2 non-EU ACGC licences granted or granted in principle by H2 2017
> Secure airline wins/strategic channel/technology partners for future revenue growth	Partnerships are in place with Thales, Rockwell Collins, Zodiac and Sita OnAir
L-BAND	
Sustaining L-band revenues despite migration of services from L-band to Global Xpress Ka-band, through a reorientation, expansion and globalisation of L-band services	
> The Level of L-band revenues in 2017 vs. 2014	L-band related revenues of \$776m (2017) as compared to \$803m (2014) reflect a faster movement of L-band services to our new Ka-band services and also some elements where there have been lay-ups or decommissioning of vessels so that services are no longer used
> How we would assess the success of new revenue product programmes, for example: Isatphone, IsatHub, SwiftBroadband200, FleetOne, LTAC	Revenues from Isatphone, IsatHub, HDR, IDP, SB200, LAISR, L-Tac, FleetOne of \$87m (2017) as compared to \$28m (2014) and there has been a relaunch of Fleet One to target the fisheries market
> Success in key globalisation programmes by our Global Government business into new countries, our presence and impact on some of the BRICs and also channel evolution	The Global Government business unit now earns revenue in more than 40 countries. In India we completed the build of a GPS gateway with BSNL which gives us the opportunity to work closely with BSNL to develop the satellite market. We have forged local manufacturing agreements with companies in China. We continued to work closely with the channel, with Global Government focusing on how they could support local partners to target new customers
> Maintenance and continued focus on the relationship with Ligado for L-band spectrum usage	The relationship with Ligado has continued to be collaborative with a new significant agreement signed in 2016 putting in place a new payment profile and arrangement for accessing the spectrum in North America; there was a step up from \$50m p.a. to c. \$130m p.a. for agreed periods

The total amount that will vest in 2018, subject to continued employment, will therefore be 30% of the maximum award. Messrs Pearce and Bates will receive 33,327 and 25,301 shares respectively, plus dividends reinvested as additional shares which are added to the number of shares that are awarded on the vesting date of 30 March 2018.

ADDITIONAL DISCLOSURE OF 2016 PERFORMANCE TARGETS (AUDITED)

ANNUAL CASH BONUS IN RESPECT OF 2016 PERFORMANCE

Last year, the Company committed to disclosing the 2016 bonus financial targets in this year's Annual Report on Remuneration. The targets and actual performance against them are set out below:

Performance measure	Weighting (% of financial element)	Performance targets			Actual performance (\$m)	Actual bonus outcome (% of financial element)
		Threshold (\$m)	Target (\$m)	Stretch (\$m)		
EBITDA	67%	548	645	710	675	52.4%
Revenue	33%	1,147	1,274	1,338	1,210	10.0%
Total	100%					62.4%

The Committee also considered the Executive Directors' achievement of personal objectives during the year (see the 2016 report for disclosure of examples of personal objectives for 2016), and payout in respect of personal performance was 27% out of a maximum of 30% of total bonus for both the CEO and the CFO. Therefore, the formulaic bonus outcome was 88.3% of salary for both the CEO and the CFO. The Executive Directors volunteered a reduction of 3% of target bonus to their bonuses in order to enhance the staff bonus pool to support retention and engagement. The actual post-reduction bonus outcome was therefore 86.1% of salary. The Committee believes these outcomes were warranted and reflective of Company and individual performance in 2016.

BSA IN RESPECT OF 2016 PERFORMANCE

The 2016 BSA targets and actual performance against them are set out below:

Performance measure	Weighting (% of maximum)	Performance targets		Actual performance (\$m)
		Threshold (\$m)	Target (\$m)	
EBITDA	60%	548	645	675
Revenue	30%	1,147	1,274	1,210
Non-financial measure linked to the management of a strategic contract	10%	Renegotiation and management of this strategic contract were successful with benefits being received by the Company through increased annual payments and giving the Company protected rights for a further period of time. Based on these combined factors, performance targets for this element were judged by the Committee to have been met in full		

Under the previous BSA structure, and as reported in the 2016 Annual Report on Remuneration, the maximum number of shares was awarded for the achievement of target performance, and performance against the two financial measures was considered on a blended basis. This had been the first time since the operation of the BSA since Inmarsat became a listed company that there had been a need for consideration of the blended approach (as revenue performance was below the level of performance required to deliver 100% of the target). As a result, all of the shares originally allocated in March 2016 were awarded in March 2017, and will vest in equal tranches in March 2018, 2019 and 2020. In response to shareholder comments following the publication of the outcome of this award last year, the BSA structure has been revised for 2017 and future years to require independent assessment of performance measures and to include stretch targets (see page 88 for further information).

SCHEME INTERESTS AWARDED IN 2017 (AUDITED)

BSA IN RESPECT OF 2016 PERFORMANCE

An allocation of shares was made on 23 March 2016 at a share price of £9.30 in respect of the March 2016 BSA. The confirmation of these awards was based on Company performance for the financial year ended 31 December 2016. As advised in the 2016 report, the performance targets were achieved in full and the full number of shares originally allocated in March 2016 was awarded in March 2017, and will vest in equal tranches in March 2018, 2019 and 2020.

Executive Director	Maximum monetary award	Share price on date of allocation (23 March 2016)	Number of shares allocated in March 2016	Conversion rate based on performance for year ended 31 December 2016	Confirmed number of shares awarded in March 2017	Share price on date of share award (9 March 2017)	Face value on date of award (9 March 2017)
Rupert Pearce	£1,046,564	£9.30	112,564	100%	112,564	£7.615	£857,174
Tony Bates	£844,125	£9.30	87,241	100%	87,241	£7.615	£664,340

2017 PSA AWARD IN RESPECT OF PERFORMANCE OVER THE PERIOD 2017-2019

In March 2017, the Executive Directors received PSA share awards which will vest subject to performance over the three years to 31 December 2019.

Executive Director	Date of grant	Awards granted during the year	Market price at date of award	Face value at date of award	Award as % of salary	Vesting date
Rupert Pearce	10 March 2017	140,182	£7.62	£1,067,486	185%	10 March 2020
Tony Bates	10 March 2017	108,647	£7.62	£827,347	175%	10 March 2020

The award levels, which are unchanged from last year, fall within the normal maximum permitted amount of 200% under the Remuneration Policy, and were determined taking into account the overall market pay data, and the performance of the Company against its prior year business performance.

Vesting of the awards is dependent on three-year TSR vs. the FTSE 50-150 (excluding investment trusts), three-year EBITDA growth, and achievement of specific strategic objectives. Strategic objectives were first introduced as a performance measure in our long-term share plan in 2015. The Company continues to believe that it is important for management to be focused on delivering critical strategic programmes which will drive long-term shareholder value creation. The strategic objectives described below are the ones identified to deliver this value for the three-year period to 31 December 2019. Relative TSR, EBITDA and strategic objectives will all be measured over the three years to 31 December 2019 and weighted 30%, 30% and 40%, respectively. There will be no re-testing of performance. Performance targets for these awards, and part-cycle updates on achievement against the strategic objectives, are as follows:

REMUNERATION REPORT

CONTINUED

Performance measure	Weighting (% of maximum)	Performance target
Three-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	<p>Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting</p> <p>(straight-line vesting applies between median and upper quartile)</p>
Three-year EBITDA growth p.a. (excluding Ligado)	30%	<p>Less than 3%: nil vesting 3%: 0% vesting 7%: 100% vesting</p> <p>(straight-line vesting applies between 3% and 7%)</p>
Strategic objectives	40%	<p>The key areas are:</p> <ul style="list-style-type: none"> <p>➤ Global Xpress: complete successful market entry to satellite broadband market through the next generations of Inmarsat satellites Part-cycle update: In 2017 we launched our fourth GX Ka-band satellite successfully and it is operational. We have continued to make good progress with GX take-up in maritime, government and aviation sectors. The Company is on track to meet its target of \$500m GX revenues by the end of year five after global launch</p> <p>➤ Aviation: put in place all key building blocks of the aviation business case (to support material revenues forecast over the LRBP period) Part-cycle update: In 2017 there was double-digit revenue growth reflecting IFC installation revenues and strong BGA and SoS growth. We have around 3,000 aircraft in our new business pipeline. I-5 F4 and the S-band satellites were successfully launched</p> <p>➤ L-band: work assiduously to sustain L-band revenues despite GX migration and both ongoing tight budgets and strong competition in all markets Part-cycle update: Our Enterprise Business Unit has focused on new business segments such as transportation to identify future revenue growth and our Government business continued to open new country market opportunities and secured new contracts in the U.S. We opened, with BSNL our partner in India, a GSPS gateway and see additional opportunities in this market. We have seen increased competition and also experienced faster migration of our FleetBroadband service to Fleet Xpress</p> <p>➤ Strategic contract: maximise the overall net contribution of the contract to Inmarsat Part-cycle update: Our focus has been to continue to operate collaboratively and in a focused way to maintain the benefits of this contract and we have delivered a material increase in contract revenues</p> <p>Achievement against strategic objectives will be considered as a whole. There are specific objectives within each area, and further details of the objectives and key achievements will be disclosed in detail at the end of the performance period</p>

PENSION (AUDITED)

The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements. They do not participate in the defined benefit plan. The normal retirement date under the UK pension plan is age 65 with an employee able to retire from age 55. An Executive Director can become a deferred member of the pension plan or not join the pension plan and will receive a capped employer contribution paid as additional salary.

The current employer contributions to the pension scheme (subject to the cap of £149,400 for the 2016/17 tax year and £153,600 for the 2017/18 tax year) are 12.5% of capped salary. The current arrangement is to pay 12.5% of capped salary, with the capped salary level increasing nominally each year.

Neither Mr Pearce nor Mr Bates is a member of the UK defined contribution pension plan. They receive a cash supplement of 12.5% of capped salary, with the capped salary level increasing nominally each year. This amount is reduced for 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. The contribution levels are equivalent to approximately 3% of salary for each Executive Director.

Executive Director	Pension value
Rupert Pearce	£17,000, equivalent to 3% of salary, was paid in 2017
Tony Bates	£17,000, equivalent to 3% of salary, was paid in 2017

SINGLE FIGURE OF TOTAL REMUNERATION FOR 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 2017 and the prior year:

	Base fee £000		Additional fees £000		Taxable benefits £000 ¹		Total £000	
	2017	2016	2017	2016	2017	2016	2017	2016
Andrew Sukawaty ²	312.6	306.4	0.0	0.0	18.0	17.5	330.6	323.9
Simon Box	54.5	53.5	15.2	12.5	0.4	0.0	70.1	66.0
Sir Bryan Carsberg	54.5	53.5	16.7	12.7	1.1	1.2	72.3	67.4
Stephen Davidson ³	2.7	53.5	0.8	17.7	0.0	0.9	3.5	72.1
Warren Finegold ⁴	23.0	–	4.7	–	0.1	–	27.7	–
Kathleen Flaherty ³	9.4	53.5	1.4	5.0	0.0	0.0	10.8	58.5
General C. Robert Kehler (Rtd) ⁵	109.1	106.9	5.5	5.0	0.0	0.0	114.6	111.9
Phillipa McCrostie ⁶	54.5	18.0	5.5	1.8	1.9	2.2	62.0	22.0
Janice Obuchowski	54.5	53.5	11.1	7.8	0.0	0.0	65.6	61.3
Dr Abe Peled	54.5	53.5	30.3	25.2	0.0	0.0	84.8	78.7
Robert Ruijter	54.5	53.5	15.2	12.5	0.0	0.0	69.7	66.0
Dr Hamadoun Touré	54.5	53.5	11.1	7.8	0.0	0.0	65.6	61.3
Total	838.3	859.3	117.5	108.0	21.5	21.8	977.3	989.1

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. These travel expenses are subject to a specific deduction under HMRC rules and are not tax deductible.

2 Mr Sukawaty receives healthcare cover.

3 Mr Davidson and Mrs Flaherty retired as Non-Executive Directors on 19 January and 2 March 2017, respectively.

4 Mr Finegold was appointed as a Non-Executive Director on 1 August 2017.

5 The fees for General C. Robert Kehler (Rtd) include a fee of £53,470.98 as a Non-Executive Director of Inmarsat Inc, a wholly-owned subsidiary in the U.S.

6 Mrs McCrostie was appointed as a Non-Executive Director on 1 September 2016.

EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

There were no exit payments made in 2017.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments were made to past Directors in 2017.

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 59; none are currently fee-paying.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2018

BASE SALARY

Salaries are typically reviewed annually in July for the Executive Directors and the general workforce. In 2017, the Company made the decision that due to business circumstances at the time, the 2016 salary review would be deferred for the Executive Directors and Executive Management Board to January 2017. Based on the subsequent review, the Committee approved a salary increase of 2% for both Executive Directors, effective from 1 January 2017 (see 2016 Annual Report on Remuneration for further details).

The Committee conducted its 2017 salary review in July 2017, and approved an increase of 2% for both the CEO and the CFO. This is consistent with the increase across the Executive Team, and is below the average salary increase across the Group of 2.4% and across eligible UK employees of 2.7%. The Committee believes the new salaries are appropriate in the context of market pay data and continued strong individual performance. Salaries will next be reviewed in July 2018, which is the same time for the general workforce. The table below shows the Executive Directors' salaries as at January 2017 and July 2017.

Executive Director	Salary at 1 July 2017	% change	Salary at 1 January 2017 ¹
Rupert Pearce	£588,600	2%	£577,024
Tony Bates	£482,200	2%	£472,770

1 2016 salary review was deferred from 1 July 2016 to 1 January 2017.

REMUNERATION REPORT

CONTINUED

PENSION

No change to pension provision is currently anticipated for 2018.

ANNUAL CASH BONUS

The maximum annual bonus opportunity for Executive Directors in 2018 will remain unchanged from the opportunity in 2017, and will be 125% of salary.

The annual bonus will continue to have a financial element and an element linked to personal performance. The financial element of the bonus, totalling 70% of maximum bonus opportunity, will continue to be measured by reference to EBITDA (67% of the maximum award) and revenue (33%). As in 2017, 30% of the maximum opportunity will be linked to the achievement of personal objectives.

BSA SHARES

In March 2018, a monetary BSA award will be made and nominally converted to shares immediately as happened in 2017. As in previous years, the level of award will not be confirmed until the results for 2018 have been determined and may be lower (but not higher) than the initial award. There is no change to the vesting timetable: the shares will vest in equal tranches in March 2020, 2021 and 2022, subject to continued employment. With the nominal conversion of the shares at the outset, this more closely aligns the value delivered to participants under this award with the value created for shareholders over the same period. The number of the shares actually awarded will be determined in March 2019 after performance has been assessed.

The level of award in March 2018 will be 185% and 175% of salary for Mr Pearce and Mr Bates, respectively, the same levels as in 2017. The performance measures will be the same as the financial metrics used in the 2018 annual bonus. 67% of the award will be linked to EBITDA and 33% to revenue. We made two key changes to the implementation of the BSA for 2017 and future years, in response to shareholder feedback. Therefore, for 2018, performance against each measure will be assessed on an independent basis. Further, payout for target performance will be 80% (rather than 100%) of maximum, and a stretch target is introduced, the achievement of which will result in full payout. Payout for threshold performance will remain 60% of maximum as stated in the Policy.

As in previous years, the BSA performance targets relate to annual performance and will therefore be disclosed in full on a retrospective basis. The Remuneration Committee reviewed the award levels, and believe they are appropriate in the context of the Company's ambitions for growth and how each of the Executive Directors will contribute personally towards overall Group performance.

PSA SHARES

A PSA award will be made in March 2018, and the level of award will be 185% of salary for Mr Pearce and 175% for Mr Bates, the same levels as in 2017. The Remuneration Committee reviewed the award levels, and believe they are appropriate in the context of the Company's ambitions for growth and how each of the Executive Directors will contribute personally towards overall Group performance.

The PSA awards in 2018 will operate on the same basis as they did in 2017. Awards vest after three years based upon the same three performance conditions, measured over the three years to 31 December 2020. The targets are as follows:

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 key areas are: <ul style="list-style-type: none"> ➤ 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 Achievement against strategic objectives will be considered as a whole. There are specific objectives within each area, and further details of the objectives and key achievements will be disclosed in detail at the end of the performance period

The EBITDA range for the 2018 PSA was considered by the Committee taking into account the long range business plan which was approved by the Board in February 2018 as well as recognising the dynamic competitive market where the Company would need to maintain its position in its existing key markets and seek how to maximise revenue opportunities through targeted expenditure to invest for the future. The Committee also considered the market consensus as part of its deliberations as well as performance of other satellite operators.

In line with the 2017 Remuneration Policy, a mandatory two-year holding period for Executive Directors will apply to vested PSA awards, effective from awards made in 2017. No shares may be sold during the holding period except to cover tax liabilities. Vested but held shares are treated as owned by the individual, and count towards shareholding for the purpose of calculating achievement of shareholding guidelines.

NON-EXECUTIVE DIRECTOR 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 2017.

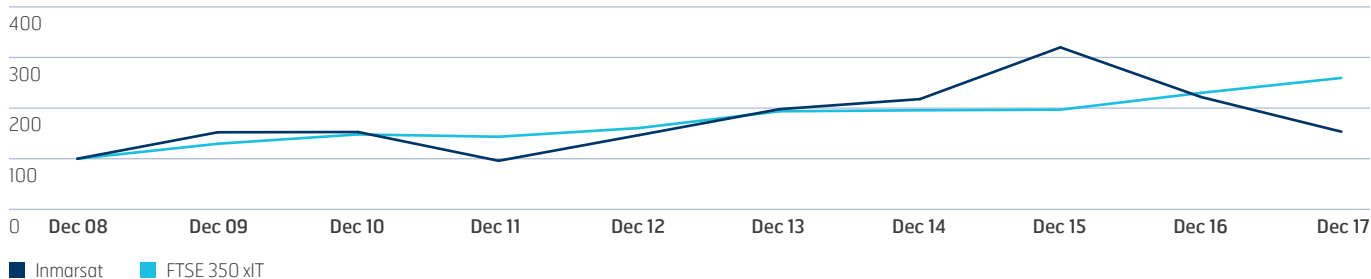
NED fees as at 31 December 2017	Amount
Basic fee	£55,080
Senior Independent Director (inclusive of any additional Committee fees)	£85,680
Non-Executive Chairman (inclusive of any additional Committee fees)	£315,690
Additional Committee fees:	
Chairman of the Audit Committee	£15,300
Chairman of the Remuneration 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 2018 and any increases will be for the decision of the Board, excluding the Non-Executive Directors. The Chairman also receives international healthcare cover (£17,986 in 2017).

TOTAL SHAREHOLDER RETURN

The following graph shows the Company's performance over the last nine 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. The Committee will review the appropriateness of the comparator group used in future reports to shareholders.

TOTAL SHAREHOLDER RETURN



Source: Datastream/Thomson Reuters

REMUNERATION REPORT

CONTINUED

CEO NINE-YEAR REMUNERATION HISTORY (AUDITED)

The table below details the Chief Executive's single figure of total remuneration and actual variable pay outcomes over the same nine-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
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	1,875
Annual bonus outcome (% of maximum)	AS	98%	100%	84%	–	–	–	–	–	–
	RP	–	–	–	91%	83%	96%	72%	71% ³	65%
BSP/BSA conversion (% of maximum monetary value)	AS	100%	100%	98%	–	–	–	–	–	–
	RP	–	–	–	100%	73%	100%	100%	100%	81% ⁴
PSP/PSA award vesting (% of maximum)	AS	100%	100%	Nil	–	–	–	–	–	–
	RP	–	–	–	Nil	Nil	54%	50%	48%	30%

1 See page 87 for detail of the single figure of total remuneration for 2017 and 2016

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 new basis where 80% is paid for target performance

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 2016 TO 2017

	CEO		Other UK employees	
	2017 £000	2016 £000	% change	% change
Salary	583	566	3.0% ¹	6.1% ⁴
Taxable benefits ²	2.0	2.0	–	-1.8%
Short-term incentives ³	1,091	1,344	-18.8%	7.9%

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 to be awarded corresponding to the relevant financial year at share prices as set out in the single figure table on page 87




4 The number of employees is based on those who were in employment for the whole year

The Company will be publishing its report on Gender Pay in 2018, in line with UK legislation. A copy will be placed on our website and we have provided some comments on the report in the Resources and Relationships section of this Annual Report on page 44.

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 share buy-back) 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. Our business model creates value that is distributed in the form of remuneration to employees, returns to shareholders and funds which are reinvested in the business. We have invested significantly in recent years in the business while at the same time reviewing pay levels to be competitive and seek to secure good returns to shareholders through increasing capital value in the share price and have previously increased dividend payments each year. We are focused on putting in place a sound platform for the long-term success of the Group.

RELATIVE IMPORTANCE OF SPEND ON PAY \$m

Total employee pay		\$312.9m \$267.7m
Dividends		\$249.8m \$235.7m
Cash capital expenditure		\$598.7m \$412.9m

■ 2017 ■ 2016

DIRECTORS' SHAREHOLDING (AUDITED)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2017 based on a share price of £4.908 as at 31 December 2017:

	Shares held as at 31 Dec 2016	Shares held as at 31 Dec 2017	Unvested and subject to deferral ¹	Unvested and subject to performance conditions ²	Shareholding guideline (% salary)	Current ³ shareholding (% salary)	Requirement met?
Rupert Pearce	824,254	920,623	268,782	252,746	500%	992%	Yes
Tony Bates	17,389	59,682	203,210	195,888	500%	268%	No ⁴
Andrew Sukawaty	1,076,825	1,172,352					
Simon Bax	11,500	23,000					
Sir Bryan Carsberg	16,327	16,327					
Stephen Davidson ⁵	1,500	1,500					
Kathleen Flaherty ⁵	3,073	3,073					
Warren Finegold ⁶	–	30,000					
General C. Robert Kehler (Rtd)	2,000	3,000					
Phillipa McCrostie	–	2,000					
Janice Obuchowski	7,000	7,000					
Dr Abe Peled	10,000	38,000					
Robert Ruijter	–	–					
Dr Hamadoun Touré	–	–					

1 The unvested and subject to deferral column includes BSA/BSP awards granted in 2015, 2016 and 2017 and 30% of the 2015 PSA as performance has been tested

2 The unvested and subject to performance conditions column includes PSP/PSA awards made in 2016 and 2017

3 Includes the BSP/BSA conditional awards made in 2015, 2016 and 2017 and associated dividend shares, and 30% of the 2015 PSA

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 Mr Davidson and Mrs Flaherty retired as Non-Executive Directors on 19 January and 2 March 2017, respectively

6 Mr Finegold was appointed to the Board on 1 August 2017

Several of our Non-Executive Directors have significant shareholdings. There were no changes in Directors' interests from 31 December 2017 to 9 March 2018.

DIRECTORS' INTERESTS IN SHARES IN INMARSAT LONG-TERM INCENTIVE PLANS AND ALL-EMPLOYEE PLANS (AUDITED)

This information is accurate as at 31 December 2017.

INMARSAT BONUS SHARE AWARDS (AUDITED)

The table below shows details of outstanding BSA/BSP awards after the award has been converted from a monetary value or allocation of shares into conditional awards, which vest over a subsequent three-year period.

	Share awards held at 1 January 2017	Awarded during the year	Reinvested dividends during the year ¹	Vested during the year ²	Share awards held at 31 December 2017	Award price ³	Vesting date
Rupert Pearce							
Share award confirmed in March 2014	26,954	–	–	26,954	–	£6.89	Fully vested: March 2017 was the last vesting date
Share award confirmed in March 2015	54,912	–	1,640	27,454	29,062	£8.91	March 2016, March 2017 and March 2018
Share award confirmed in March 2016	116,668	–	4,544	38,888	82,324	£9.30	March 2017, March 2018 and March 2019
Share award confirmed in March 2017	–	112,564	6,576	–	119,140	£7.62	March 2018, March 2019 and March 2020
Tony Bates							
Share award confirmed in March 2015	36,525	–	1,067	18,262	19,330	£8.91	March 2016, March 2017 and March 2018
Share award confirmed in March 2016	88,572	–	3,449	29,522	62,499	£9.30	March 2017, March 2018 and March 2019
Share award confirmed in March 2017	–	87,241	5,097	–	92,338	£7.62	March 2018, March 2019 and March 2020

REMUNERATION REPORT

CONTINUED

	Share awards held at 1 January 2017	Awarded during the year	Reinvested dividends during the year ¹	Vested during the year ²	Share awards held at 31 December 2017	Award price ³	Vesting date
Andrew Sukawaty⁴							
Share award confirmed in March 2014	64,470	–	–	64,470	–	£6.89	March 2016, March 2017 and March 2018
Share award confirmed in March 2015	95,875	–	2,801	47,935	50,741	£8.91	March 2016, March 2017 and March 2018

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 On 9 March 2017, Mr Sukawaty, Mr Pearce and Mr Bates sold sufficient shares to cover tax and national insurance and retained the balance. The shares were sold at a price of £7.4957 per share, representing a monetary value of vested shares of £842,554, £699,318 and £358,174 respectively

3 The award price is the price when the shares change from being allocated to granted following the performance test being completed

4 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

Mr Pearce and Mr Bates will receive BSA awards in March 2018 of 113,547 and 88,004 shares respectively for the allocation made in March 2017.

INMARSAT PERFORMANCE SHARE AWARDS (AUDITED)

The table below shows details of outstanding PSA/PSP awards.

	Share awards held at 1 January 2017	Awarded during the year	Reinvested dividends during the year ¹	Vested during the year	Lapsed during the year	Share awards held at 31 December 2017	Award price	Vesting date
Rupert Pearce								
Award made in 2014 ²	96,954	–	12,464	52,520	56,898	–	£6.98	March 2017
Award made in 2015 ³	111,089	–	–	–	–	111,089	£9.34	March 2018
Award made in 2016	112,564	–	–	–	–	112,564	£9.2975	March 2019
Award made in 2017	–	140,182	–	–	–	140,182	£7.6150	March 2020
Tony Bates								
Award made in 2014 ²	58,919	–	8,122	32,179	34,862	–	£7.64	June 2017
Award made in 2015 ³	84,337	–	–	–	–	84,337	£9.34	March 2018
Award made in 2016	87,241	–	–	–	–	87,241	£9.2975	March 2019
Award made in 2017	–	108,647	–	–	–	108,647	£7.6150	March 2020
Andrew Sukawaty⁴								
Award made in 2014 ²	176,207	–	22,653	31,817	167,043	–	£6.98	March 2017

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 48% of the 2014 PSP vested in 2017

3 30% of the 2015 PSA will vest in March 2018

4 Mr Sukawaty's outstanding PSP award (made to him when he was Executive Chairman) vested on a time pro-rata basis on the respective normal vesting date for the period he was an Executive Director, subject to performance

INMARSAT SHARESAVE SCHEME (2017 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 2017	Granted during the year	Exercised during the year	Options held at 31 December 2017	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
Tony Bates	1,584	–	–	1,584	£5.68	August 2019	January 2020
	–	1,489	–	1,489	£6.02	August 2020	January 2021

APPROVAL

This report was approved by the Board of Directors on 9 March 2018 and signed on its behalf by

SIMON BAX
CHAIRMAN, REMUNERATION COMMITTEE

9 March 2018

REPORT OF THE DIRECTORS

For the year ended 31 December 2017

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 103.

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 55.

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 56 to 98.

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 112.

A final dividend of 12.00 cents (US\$) will be paid on 25 May 2018 to shareholders on the share register at the close of business on 20 April 2018. 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 date of announcement of the scrip reference price. Explanatory documentation in respect of the operation of the scrip dividend is available on our website.

From 6 April 2016 the Dividend Tax Credit was replaced by a new Dividend Allowance in the form of a 0% tax rate on the first £5,000 of dividend income per year.

INTEREST CAPITALISATION

The Group capitalised \$35.3m during the period under review. The \$35.3m 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 24 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 77,276 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 recent rerating of the satellite sector and increased competitive environment, coupled with a continuing uncertain economic outlook, 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

REPORT OF THE DIRECTORS

CONTINUED

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 55.

ON-MARKET PURCHASE AUTHORITY

The Directors' authorities are determined by UK legislation and the Articles of Association. At the 2017 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 2018 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 65 in the Governance Report.

EMPLOYMENT POLICIES AND EMPLOYEE INVOLVEMENT

Details of the employment policies and employee involvement are provided in the resources and relationships section and are also in the Governance Report.

LONG-TERM INCENTIVE SCHEMES

Details of the long-term incentive schemes can be found on pages 89 and 92 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 2017, 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 50 locations with a combined workforce of approximately 2,000 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 them 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 page 49. The following information summarises the report generated over the year regarding our actual performance.

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.

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 below shows our greenhouse gas emissions for the years ended 31 December 2017, 2016 and 2015. 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.

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 CO₂ equivalent using the UK Government 2017 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 last option the location-based grid emissions factor was used. This approach is in line with the GHG Protocol Scope 2 Data Hierarchy.

GREENHOUSE GAS EMISSIONS			
Greenhouse gas emissions (tCO ₂ e)	2017	2016	2015
Combustion of fuel and operation of facilities (Scope 1)	1,047	1,164	978
Electricity, heat, steam and cooling purchased for our own use (Scope 2: location-based)	10,870	11,743	12,141
Electricity, heat, steam and cooling purchased for our own use (Scope 2: market-based)	8,664	10,559	14,010
Other indirect emissions (Scope 3)	20,647	13,568*	15,681

* We have restated our Scope 3 figures due to improved data quality and accuracy

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 tCO₂e

Greenhouse gas emissions (tCO ₂ e)	Location-based approach			Market-based approach		
	2017	2016	2015	2017	2016	2015
Total Scope 1 and 2	11,918	12,907	13,118	9,712	11,724	14,988
tCO ₂ e per full-time equivalent ('FTE') employee	6.9	6.8	7.0	5.6	6.2	8.0

The emissions intensity calculation is based on a figure of 1,737 employees in 2017, 1,900 employees in 2016 and 1,864 employees in 2015. We have restated our total Scope 1, 2 and 3 figures due to improved data quality and accuracy within Scope 3 emissions

The table on page 100 shows our total emissions and our emissions as a metric for the year ended 31 December 2017 using the two different Scope 2 accounting methodologies.

Performance

In 2017 we set an interim target to reduce absolute Scope 1 and 2 emissions by 10% compared to 2016. We have over-achieved this target with our absolute Scope 1 and 2 emissions having decreased by 17% since 2016, and 35% since 2015 (using the market-based Scope 2 accountancy method). We continue to expand the number of low emissions sources of electricity across the Group and during 2017 we switched to a renewable electricity supply at our London Head Office, our largest electricity-consuming site.

Our emissions intensity has decreased by 9% from 6.2 to 5.6 tCO₂e/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. We have increased the scope of our reporting in 2017 to also include emissions associated with the transmission and distribution of electricity. As such our Scope 3 emissions have increased by 52%. This is due to the increase in reporting boundary as well as an increase in business travel.

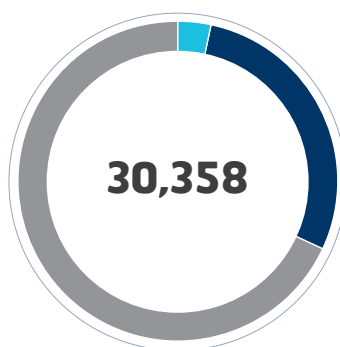
In 2018 we will be working with Carbon Credentials to assess our full value chain (Scope 3) emissions with the ambition of setting a science-based emission reduction target in line with the UK’s commitment under the UN Paris Agreement, thereby contributing to the global effort to prevent the worst consequences 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 disclosed, which includes our top five highest consuming locations: London, Burum, Auckland, Paumalu and Perth. The GHG sources that constitute our operational boundary for the 2017 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

TOTAL EMISSIONS 2017 tCO₂e



● Scope 1	1,047
● Scope 2 (market-based)	8,664
● Scope 3	20,647

EMISSIONS INTENSITY – SCOPE 1 AND 2 (MARKET-BASED) tCO₂e/FTE

5.6



- **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 50 to 55.

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. There are occasions when the Company will sponsor dinners and take tables at dinners and we have carefully assessed whether these fall to be classified as political donations and are satisfied they do not, however we are being transparent that we participate in these events. The Directors recognise however that occasions arise where it may be in the best interests of shareholders for the Company to be able, if appropriate, to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the requirements of the Companies Act 2006, shareholders are asked annually to give authority at the Annual General Meeting for the Company to make political donations and to incur political expenditure.

INTERESTS IN VOTING RIGHTS

As at 6 March 2018, 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	12.06%
Capital Group Companies, Inc.	9.95%
Artemis Investment Management	5.30%
Jupiter Asset Management Limited	4.97%
Openheimer Funds, Inc	4.90%
Aberdeen Asset Managers	4.88%
Standard Life Investments Ltd	4.38%
Allianz SE	3.02%

Voting rights are based on the information submitted via TRI forms from shareholders to the Company, adjusted for the issued share capital of 457,659,212 as at 6 March 2018.

REPORT OF THE DIRECTORS

CONTINUED

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 page 69 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 62 to 64 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 2017 is set out below:

Andrew Sukawaty, Rupert Pearce, Tony Bates, Stephen Davidson, Janice Obuchowski, Kathleen Flaherty, General C. Robert Kehler (Rtd), Sir Bryan Carsberg, Dr Abe Peled, Robert Ruijter, Simon Bax, Dr Hamadoun Touré, Phillipa McCrostie and Warren Finegold.

Stephen Davidson and Kathleen Flaherty retired as Directors on 19 January 2017 and 2 March 2017 respectively.

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 page 97.

Details of the Directors' conflicts of interest policy are provided on page 65.

ARTICLES OF ASSOCIATION

The Articles of Association can only be amended by special resolution of the shareholders.

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 2018 AGM.

2018 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 2 May 2018 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. At this AGM, shareholders will also be asked to vote on a related party transaction and details of this special resolution are contained in the AGM Notice of Meeting.

By order of the Board

ALISON HORROCKS FCIS
CHIEF CORPORATE AFFAIRS OFFICER
AND COMPANY SECRETARY

9 March 2018

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

9 March 2018

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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 give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 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 of Inmarsat plc (the 'parent company') and its subsidiaries (the 'group') 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 36

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'.

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 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: <ul style="list-style-type: none"> › accuracy, completeness and occurrence of manual adjustments to airtime revenue › accounting for capitalised development expenditure
Materiality	The materiality that we used for the group financial statements was \$18.0m which was determined on the basis of a number of relevant benchmarks including EBITDA. Materiality represents 2.5% of EBITDA.
Scoping	We have performed full-scope audit procedures for components which contribute 99% of net assets, revenue and profit before tax.
Significant changes in our approach	Last year our report included the key audit matter of accounting for the Ligado Cooperation Agreement and Take or Pay revenue cut-off. These were not considered to be key audit matters in the year. In the prior year we determined materiality solely on profit before tax.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

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 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 50 to 55 that describe the principal risks and explain how they are being managed or mitigated
- › the directors' confirmation on page 51 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 55 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.

Last year our report included the key audit matter of accounting for the Ligado Cooperation Agreement. This is not included in our report this year as the significant judgements relating to the timing of revenue recognition and the quantum of potential future costs were taken by management in previous years and there have been no developments this year which would trigger the need to update these judgements. Furthermore, last year we included a key audit matter for 'Take or Pay' revenue cut-off which has not been included since there is only one material such contract which is well understood.

REVENUE RECOGNITION – ACCURACY, COMPLETENESS AND OCCURRENCE OF MANUAL ADJUSTMENTS TO AIRTIME REVENUE

Key audit matter description

Airtime revenue, both subscription and usage-based, is the largest revenue stream within the business. This revenue principally relates to I-3 and I-4 services sold on a wholesale and retail basis, along with the resale of capacity from other satellite providers. Airtime revenue of \$799.5m (2016: \$822.9m) was earned in the year.

Each month manual postings are made to revenue accounts to adjust for items such as deferred revenue, accrued income, sales provisions, bundled transactions and breakage recognised under Take or Pay agreements to ensure revenue recognition meets the requirements of IAS 18 Revenue.

Due to the highly material nature of airtime revenue, the high volume of transactions and the inherent risk that manual postings are susceptible to manipulation, a significant risk, whether due to fraud or error, has been identified that if these postings are not accurate, complete or related to transactions which have occurred.

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 72 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 and tested the operating effectiveness of the key automated and manual controls relating to the recognition of airtime revenue across the Group's principal billing systems. This included evaluating the design and implementation of controls and testing the migration of data associated with management's implementation of a new billing system.

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 tested the mechanical accuracy of the underlying schedules for a sample of manual postings to determine their completeness and accuracy and whether they are prepared consistently with the principles of IAS 18.

Additionally, we performed a monthly profit margin analysis by product and a monthly revenue trend analysis, corroborating and understanding unusual variances.

Further, we used subscriber numbers, usage reports and pricing information in order to develop an independent expectation of airtime revenue by product type to compare to airtime revenue recognised in order to assess the completeness, accuracy and occurrence of recorded revenue and to respond to the risk of fraud or error.

Key observations

The results of our testing were satisfactory. We identified no misstatements in manual adjustments to airtime revenue required in relation to our substantive audit work which required reporting to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

ACCOUNTING FOR CAPITALISED DEVELOPMENT EXPENDITURE

Key audit matter description	<p>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 Inmarsat-6 fleet of satellites.</p> <p>There is a significant risk, 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.</p> <p>As shown in note 13 to the financial statements, property, plant and equipment of \$599.5m was capitalised in the year, of which \$174.9m relates to space segment assets and \$351.6m relates to assets in the course of construction.</p> <p>As shown in note 14 to the financial statements, intangible assets of \$76.0m were capitalised in the year. As disclosed in note 9 to the financial statement, capitalised borrowing costs totalled \$40.2m in the year. Refer to page 73 where this is included as a significant matter in the Audit Committee report.</p>
How the scope of our audit responded to the key audit matter	<p>We have evaluated the design and implementation of controls in respect of the processes and procedures which govern the capitalisation of development costs.</p> <p>We have met the project leaders for the most financially significant capital projects, which account for 89% of current year capital expenditure, to corroborate the project status, feasibility of completion, 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In relation to internal labour costs capitalised we carried out sample-based testing which included tracing to approved timesheets and testing the daily rates applied.</p>
Key observations	<p>We identified a number of deficiencies in key controls within the capital expenditure cycle, which were reported to the Audit Committee. As a consequence, we determined we would not test the operating effectiveness of controls in this area.</p> <p>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 adjustments that warranted reporting to the Audit Committee.</p>

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 AND PARENT COMPANY FINANCIAL STATEMENTS

Materiality	\$18.0m (2016: \$16.7m) for the Group. \$15.7m (2016: \$14.5m) for the parent company financial statements.
Basis for determining materiality	<p>We determined materiality using a range of forecast benchmarks and this represented 2.5% of EBITDA, 1.3% of revenue and 7.6% of profit before tax adjusted to remove the volatility described above.</p> <p>Last year, materiality was based solely on profit before tax and represented 6% of actual profit before tax.</p> <p>EBITDA is reconciled to statutory profit before tax on page 39.</p> <p>Parent company materiality was determined based on a benchmark of profit before tax but was then capped at the highest level of component materiality.</p>
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.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$900,000 (2016: \$825,000) for the group and the parent company, 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
- › Reston, United States

With the exception of one specific part of the U.S. 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 U.S. Government retail business in Reston and
- › Non-core entities, which include Inmarsat Australia Pty Ltd, based in Sydney, Australia

The U.S. 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 and U.S. Government components were subject to a full scope audit, whilst 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% (2016: 99.9%) of the Group's net assets, 99.0% (2016: 99.7%) of the Group's revenue and 98.8% (2016: 99.4%) 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 \$5.4m to \$15.7m (2016: \$5.0m to \$15.0m).

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks 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 visited the U.S. Government component in the prior year. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

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.

We have nothing to report in respect of these matters.

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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

<p>Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> › 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.
<p>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.</p>	We have nothing to report in respect of these matters.

OTHER MATTERS

AUDITOR TENURE

Following the recommendation of the Audit Committee, we were appointed 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 12 years, covering the years ending 31 December 2006 to 31 December 2017.

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).

PAUL FRANEK FCA SENIOR STATUTORY AUDITOR

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
9 March 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

(\$ in millions)	Note	2017	2016
Revenues		1,400.2	1,329.0
Employee benefit costs	7	(293.0)	(267.7)
Network and satellite operations costs		(192.8)	(168.6)
Other operating costs		(212.1)	(139.9)
Own work capitalised		49.1	42.0
Total net operating costs		(648.8)	(534.2)
Adjusted EBITDA¹		751.4	794.8
Restructuring charge	7	(19.9)	–
EBITDA²		731.5	794.8
Depreciation and amortisation	6	(406.7)	(349.4)
Loss on disposal	6	(7.3)	(0.7)
Share of profit of associates	15	4.0	2.4
Operating profit		321.5	447.1
Financing income	9	6.5	4.3
Financing cost	9	(105.9)	(123.4)
Change in fair value of derivative ³	9	7.7	(28.8)
Net financing costs	9	(91.7)	(147.9)
Profit before tax		229.8	299.2
Taxation charge	10	(47.5)	(55.8)
Profit for the year		182.3	243.4
Attributable to:			
Equity holders		181.7	242.8
Non-controlling interest ⁴		0.6	0.6
Earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)			
> Basic	27	0.40	0.54
> Diluted	27	0.40	0.53
Adjusted earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)			
> Basic	27	0.42	0.65
> Diluted	27	0.41	0.64

1 Adjusted EBITDA excludes a one-off restructuring charge of \$19.9m incurred in Q4 2017

2 EBITDA is defined as profit before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates

3 The change in fair value of derivatives relates to the mark-to-market valuation of the conversion liability component of the convertible bonds due 2023

4 Non-controlling interest relates to the Group's 51% shareholding in Inmarsat Solutions ehf

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

(\$ in millions)	Note	2017	2016
Profit for the year		182.3	243.4
Other comprehensive income			
<i>Items that may be reclassified subsequently to the Income Statement:</i>			
Foreign exchange translation differences		–	0.1
Net gain/(loss) on cash flow hedges	26	15.6	(24.3)
Tax credited directly to equity	10	–	0.1
<i>Items that will not be reclassified subsequently to the Income Statement:</i>			
Remeasurement of the defined benefit and post-employment asset	28	12.7	(13.4)
Tax (charged)/credited directly to equity	10	(2.9)	2.6
Other comprehensive income/(loss), net of tax		25.4	(34.9)
Total comprehensive income, net of tax		207.7	208.5
Attributable to:			
Equity holders		207.1	207.9
Non-controlling interest		0.6	0.6

CONSOLIDATED BALANCE SHEET

at 31 December 2017

(\$ in millions)	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	13	3,236.6	2,971.4
Intangible assets	14	788.9	796.4
Investments	15	16.2	13.2
Other receivables	17	23.9	11.7
Deferred tax assets	22	35.6	39.3
Derivative financial instruments	31	0.3	0.1
		4,101.5	3,832.1
Current assets			
Cash and cash equivalents	16	144.9	262.0
Short-term deposits ¹		342.0	395.0
Trade and other receivables	17	319.4	306.9
Inventories	18	33.9	34.3
Current tax assets	22	13.8	8.5
Derivative financial instruments	31	1.2	1.7
Restricted cash	23	2.8	2.8
		858.0	1,011.2
Total assets		4,959.5	4,843.3
Liabilities			
Current liabilities			
Borrowings	19	125.6	103.8
Trade and other payables	20	584.6	508.3
Provisions	21	16.2	1.9
Current tax liabilities	22	130.2	129.0
Derivative financial instruments	31	7.9	5.9
		864.5	748.9
Non-current liabilities			
Borrowings	19	2,439.9	2,448.0
Other payables	20	25.0	41.5
Provisions	21	9.7	2.8
Deferred tax liabilities	22	237.3	208.3
Derivative financial instruments	31	127.8	153.5
		2,839.7	2,854.1
Total liabilities		3,704.2	3,603.0
Net assets		1,255.3	1,240.3
Shareholders' equity			
Ordinary shares	24	0.3	0.3
Share premium		745.4	700.4
Other reserves		92.0	61.8
Retained earnings		417.0	477.2
Equity attributable to shareholders		1,254.7	1,239.7
Non-controlling interest		0.6	0.6
Total equity		1,255.3	1,240.3

¹ Short-term deposits are cash held on deposit with original maturity of between three and 12 months

The consolidated financial statements of the Group on pages 112 to 116 were approved by the Board of Directors on 9 March 2018 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 2017

(\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve ¹	Other ²	Retained earnings	Non-controlling interest ³	Total
Balance at 1 January 2016	0.3	687.6	56.9	73.8	0.9	(2.9)	432.7	0.6	1,249.9
Share-based payments ⁴	–	–	–	14.1	–	–	(0.5)	–	13.6
Early repurchase of 2017 convertible bonds ⁵	–	–	(8.8)	–	–	–	–	–	(8.8)
Transfer equity reserve to retained earnings ⁵	–	–	(48.1)	–	–	–	48.1	–	–
Dividend declared	–	–	–	–	–	–	(235.1)	(0.6)	(235.7)
Scrip dividend cash reinvestment ⁶	–	–	–	–	–	–	8.9	–	8.9
Scrip dividend share issue ⁶	–	8.9	–	–	–	–	(8.9)	–	–
Issue of share capital ⁷	–	3.9	–	–	–	–	–	–	3.9
Comprehensive income:									
Profit for the year	–	–	–	–	–	–	242.8	0.6	243.4
Other comprehensive loss – before tax	–	–	–	–	(24.3)	0.1	(13.4)	–	(37.6)
Other comprehensive loss – tax	–	–	–	–	0.1	–	2.6	–	2.7
Balance at 31 December 2016	0.3	700.4	–	87.9	(23.3)	(2.8)	477.2	0.6	1,240.3
Share-based payments ⁴	–	–	–	14.6	–	–	(1.9)	–	12.7
Dividend declared	–	–	–	–	–	–	(249.8)	(0.6)	(250.4)
Scrip dividend cash reinvestment ⁶	–	–	–	–	–	–	45.0	–	45.0
Scrip dividend share issue ⁶	–	45.0	–	–	–	–	(45.0)	–	–
Comprehensive income:									
Profit for the year	–	–	–	–	–	–	181.7	0.6	182.3
Other comprehensive gain – before tax	–	–	–	–	15.6	–	12.7	–	28.3
Other comprehensive gain – tax	–	–	–	–	–	–	(2.9)	–	(2.9)
Balance at 31 December 2017	0.3	745.4	–	102.5	(7.7)	(2.8)	417.0	0.6	1,255.3

1 Refer to note 26 for a reconciliation of this account

2 The 'other' reserve relates to ordinary shares held by the employee share trust debit of \$2.4m (2016: \$2.4m), the currency reserve debit of \$1.3m (2016: \$1.0m) and the revaluation reserve of \$0.9m (2016: \$0.6m)

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

4 Represents the fair value of share option awards recognised in the year

5 The consideration paid on early repurchase of the 2017 Convertible Bonds has been allocated to the liability and equity components of the instrument consistent with the method used in the original allocation. This resulted in a charge to the equity reserve of \$8.8m with the closing balance of the equity reserve of \$48.1m transferred to retained earnings

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

7 Issue of share capital relates to the issue of shares by the Company under its employee share schemes

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

(\$ in millions)	Note	2017	2016
Cash flow from operating activities			
Cash generated from operations	23	774.4	805.5
Interest received		5.5	1.0
Tax paid		(19.8)	(35.6)
Net cash inflow from operating activities		760.1	770.9
Cash flow from investing activities			
Purchase of property, plant and equipment		(438.9)	(302.9)
Additions to intangible assets		(110.7)	(68.0)
Own work capitalised		(49.1)	(42.0)
Short-term cash deposits greater than three months		53.1	(395.0)
Investment in financial asset	15	(1.1)	–
Net cash used in investing activities		(546.7)	(807.9)
Cash flow from financing activities			
Dividends paid		(202.9)	(228.5)
Proceeds from issue of long-term borrowings ¹		–	1,050.0
Repayment of borrowings		(80.8)	(213.0)
Drawdown of borrowings		78.4	–
Redemption of Convertible Bonds due 2017		–	(389.5)
Interest paid		(120.2)	(83.5)
Arrangement costs of financing		(1.2)	(19.1)
Net proceeds from the issue of ordinary shares		–	3.9
Other financing activities		(1.9)	1.8
Net cash (used in)/generated from financing activities		(328.6)	122.1
Foreign exchange adjustment		(1.7)	1.7
Net (decrease)/increase in cash and cash equivalents		(116.9)	86.8
Cash and cash equivalents			
At the beginning of the year		261.5	174.7
Net (decrease)/increase in cash and cash equivalents		(116.9)	86.8
At the end of the year (net of bank overdrafts)		144.6	261.5
Comprising:			
Cash at bank and in hand	16	109.9	50.7
Short-term deposits	16	377.0	606.3
Cash reclassified to short-term investments with maturity greater than three months	16	(342.0)	(395.0)
Bank overdrafts	19	(0.3)	(0.5)
Net cash and cash equivalents at the end of the year		144.6	261.5

¹ Gross issuance proceeds from the Convertible Bonds due 2023 and the Senior Notes due 2024

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 55.

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

There are no new IFRS or IFRIC Interpretations that are effective for this financial year that have had a material impact on the Group.

New and amended accounting standards that have been issued but are not yet effective and have not been adopted by the Group

IFRS 15 'Revenue from contracts with customers'

IFRS 15 will be effective for periods beginning on or after 1 January 2018. The standard sets out the requirements for recognising revenue from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations.

When IFRS 15 is adopted, it can be applied either on a full retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption. The Group will adopt the full retrospective approach from 1 January 2018 and will show comparative figures for the December 2017 financial year under IFRS 15 as part of the 2018 financial statements.

The Group has performed a review of all significant revenue streams to identify the impact of applying the IFRS 15 five-step recognition model, as follows:

1. Identify the contract with the customer
2. Identify the distinct performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as or when a performance obligation is fulfilled

The restatement of 2017 comparatives in the 2018 accounts is expected to result in a decrease in 2017 revenue of \$9m and an increase in 2017 EBITDA of \$8m. Profit before tax is expected to increase by \$4m while opening 2017 retained earnings are expected to decrease by \$10m. Trade receivables and deferred revenue specific to Ligado are expected to increase by \$20m and \$24m respectively.

The Group has established internal controls to monitor the materiality of unadjusted differences that are immaterial and not expected to change in the near future.

IFRS 16 'Leases'

IFRS 16 is mandatory for periods beginning on or after 1 January 2019, with early adoption allowed subject to the adoption of IFRS 15. The standard sets out requirements for recognising assets and liabilities in respect of leases, and will supersede the existing accounting guidance in IAS 17 'Leases' and the related interpretations. The Group will early adopt IFRS 16 in the period beginning 1 January 2018 using the modified retrospective approach which allows for certain practical expedients on transition. Under the modified retrospective approach, the lease liability and asset are recognised as at 1 January 2018 (the implementation date) with no restatement of prior period financial statements.

The core principle of the standard is to provide a single lessee accounting model, requiring lessees to recognise a right-of-use asset and lease liability for all leases unless the term is less than 12 months or the underlying asset has a low value. IFRS 16 will substantially change lease accounting for operating lessees which will now need to be recognised on the balance sheet. Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability over the lease term.

The Group has assessed the impact that IFRS 16 will have on the financial statements. The area of material impact relates to property leases where the Group is the lessee. The expected adjustments as at 1 January 2018 in the Group's Balance Sheet are the recognition of right-of-use assets and lease liabilities amounting to \$76m and \$87m respectively. In terms of the Group's financial performance for 2018, EBITDA is expected to be \$13m higher under IFRS 16 compared to the previous standard, as lease costs will be expensed as depreciation and interest rather than operating costs. Profit before tax is expected to be \$2m lower.

IFRS 9 'Financial Instruments'

IFRS 9 will be effective for periods beginning on or after 1 January 2018 and supersedes IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard covers the accounting treatment of the following three areas:

- classification and measurement of financial assets and liabilities
- hedge accounting
- impairment of financial assets

The Group anticipates minimal impact from changes in classification and measurement of financial assets and liabilities and hedge accounting (with the Group opting for the policy choice allowed by IFRS 9 to continue hedge accounting as under IAS 39).

IFRS 9 will impact the recognition and measurement of impairment of financial assets, but this is not expected to be material. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Under the expected credit loss model, there are three approaches for measuring and recognising impairment losses on financial assets, namely the general approach, simplified approach and credit adjusted approach. For short-term trade receivables, IFRS 15 contract assets and lease receivables, the Group will apply the simplified approach.

The Group has performed a review of all categories of financial assets and expects the impact on the financial statements from applying IFRS 9's ECL model to be immaterial.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

IFRIC 22 will be effective for periods beginning on or after 1 January 2018, subject to endorsement by the EU. The interpretation clarifies how to account for transactions that involve advance consideration paid or received in a foreign currency. The interpretation is not expected to have a material impact on 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. The Group does not intend to early adopt and is currently performing an assessment to determine if the interpretation will have a material impact.

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 7: Disclosure Initiative
- › Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- › Annual Improvements to IFRS Standards 2014–2016 Cycle

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 equity.

REVENUE

Mobile satellite communications service revenues result from utilisation charges that are recognised as revenue in the period during which the services are provided. 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. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. The Group also 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') is recognised as revenue in line with service provision when reasonable assurance as to the breakage amount exists, or otherwise when the contract expires. 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 also includes income from spectrum coordination agreements (such as Ligado Networks), services contracts, other communications services and income from the sale and installation of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or a straight-line approach depending on the underlying terms of the agreement. Revenue from service contracts is recognised as the service is provided over the contract period. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the customer. Revenue from installation of terminals and other communication equipment is recognised when the installation is completed.

The Group offers certain products and services as part of multiple deliverable arrangements. Multi-deliverable arrangements are divided into separate units of accounting, provided: 1) the deliverable has a stand-alone value to the customer if it is sold separately; and 2) the fair value of the item can be objectively and reliably determined. Consideration for these items is measured and allocated to each separate unit based on their relative fair values and the relevant revenue recognition policies are applied to each.

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 and interest on the net defined benefit asset and post-employment 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, subject to reduction for allowances for estimated uncollectable amounts.

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 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, in accordance with IAS 32, the instrument is bifurcated between a debt component and a derivative liability component.

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 amount separately determined for the debt component. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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 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 at 31 December each year.

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

Leases where significantly all of the risks and rewards pertaining to ownership of the underlying leased assets are retained by the Group as lessor are classified as operating leases. Rentals receivable and income generated from operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Rentals payable under operating leases where the Group is the lessee are charged to the income statement on a straight-line basis over the term of the lease.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

ALTERNATIVE PERFORMANCE MEASURES

In response to the Guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group including definitions which are included in the Glossary on page 157. The Directors use APMs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and the credit rating agencies. Given that APMs are not defined by International Financial Reporting Standards they may not be directly comparable with other companies who use similar measures. APMs considered to be KPIs include EBITDA (including adjusted EBITDA), Cash Capex and adjusted EPS and are defined on page 16.

3. FINANCIAL RISK MANAGEMENT

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 31). The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(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 24% of total revenue and total expenditure, respectively, being denominated in currencies other than the US Dollar. Approximately 27% (2016: 32%) 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 2017 it is estimated that a hypothetical 1% increase in the US Dollar/Sterling year-end exchange rate (US\$1.34/£1.00 to US\$1.35/£1.00) would have increased the 2017 profit before tax by approximately \$0.1m (2016: \$0.6m). Management believes that a 1% 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 2017, the Group has no borrowings issued at variable rates following the full repayment of the EIB loan in October 2016. 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. 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	2017	2016
Cash and cash equivalents	16	144.9	262.0
Trade receivables, other receivables and accrued income	31	275.3	250.7
Derivative financial instruments	31	1.5	1.8
Total credit risk		421.7	514.5

The Group's average age of trade receivables as at 31 December 2017 was approximately 57 days excluding Ligado and approximately 52 days including Ligado (2016: 63 days excluding Ligado and 58 days including Ligado).

At 31 December 2017, \$170.0m (2016: \$165.6m) 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 decreased to \$12.5m as at 31 December 2017 (2016: \$13.7m).

For 2017, no customer comprised greater than 10% of the Group's total revenues (2016: no customer).

The ageing profile of past due but not impaired trade receivables is:

(\$ in millions)	2017	2016
Between 1 and 30 days overdue	18.8	35.3
Between 31 and 120 days overdue	9.0	7.9
Over 120 days overdue	–	1.5
As at 31 December	27.8	44.7

(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	2017	2016
Cash and cash equivalents	16	144.9	262.0
Available but undrawn borrowing facilities ¹	19	500.5	578.9
Total available liquidity		645.4	840.9

¹ Relates to the Senior Credit Facility (see note 19)

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. Actual results could differ from those estimates. The more significant judgements and estimates are discussed below:

(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.

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

(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. Key estimates and judgements have been made regarding the future of Ligado and the Cooperation Agreement.

To date total cash payments of \$885.7m have been received under the Cooperation Agreement, including \$110.7m in 2017 (2016: \$126.2m). The Group has, thus far, recognised \$703.9m of revenue and \$43.1m of operating costs under all phases of the agreement. For the year ended 31 December 2017, the Group recognised \$126.7m of revenue with \$2.0m operating costs (year ended 31 December 2016: \$119.4m and \$nil, respectively).

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. Over the three-year period approximately \$35m of additional contracted payments will be deferred. With this in mind, Ligado made quarterly payments to Inmarsat totalling \$110.7m during the course of 2017 and will make aggregate payments of approximately \$118m in respect of 2018, payable in quarterly instalments. This revenue is recognised on an accruals basis.

At 31 December 2017, deferred income in respect of the Cooperation Agreement of \$181.8m 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. During 2017, Inmarsat recognised \$14.0m of deferred income as revenue to reflect the impact of the revenue deferral arising under the revised transition agreement. \$2.0m was recognised in relation to costs incurred on interference.

(C) CAPITALISATION OF SPACE SEGMENT ASSETS AND ASSOCIATED BORROWING COSTS

The net book value of space segment assets is currently \$2,510m (2016: \$2,037m). There have been additions of \$175m in the year. 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.

(D) PROXY BOARD ARRANGEMENT

The Group has made key judgements in determining the accounting treatment of 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.

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

(\$ in millions)	2017					Total
	Maritime	Government	Aviation	Enterprise	Central Services	
Revenue	564.7	366.7	195.0	132.6	14.5	1,273.5
Ligado revenue	–	–	–	–	126.7	126.7
Total revenue	564.7	366.7	195.0	132.6	141.2	1,400.2
Net operating costs	(122.8)	(101.5)	(91.6)	(40.7)	(292.2)	(648.8)
Adjusted EBITDA¹	441.9	265.2	103.4	91.9	(151.0)	751.4
Restructuring charge	–	–	–	–	(19.9)	(19.9)
EBITDA²	441.9	265.2	103.4	91.9	(170.9)	731.5
Depreciation and amortisation						(406.7)
Other ³						(3.3)
Operating profit						321.5
Net financing cost						(91.7)
Profit before tax						229.8
Taxation						(47.5)
Profit for the year						182.3
Cash capital expenditure⁴	43.4	9.9	130.9	–	414.5	598.7
Financing costs capitalised in the cost of qualifying assets						40.2
Cash flow timing ⁵						36.6
Total capital expenditure						675.5

1 Adjusted EBITDA excludes a one-off restructuring charge of \$19.9m incurred in Q4 2017

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

3 Other relates to the share of profit from associates (\$4.0m) and loss on disposal of assets (\$7.3m)

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

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

(\$ in millions)	2016					Total
	Maritime	Government	Aviation	Enterprise ¹	Central Services	
Revenue	575.3	330.5	142.6	144.6	16.6	1,209.6
Ligado revenue	–	–	–	–	119.4	119.4
Total revenue	575.3	330.5	142.6	144.6	136.0	1,329.0
Net operating costs	(120.5)	(86.5)	(45.2)	(38.7)	(243.3)	(534.2)
EBITDA	454.8	244.0	97.4	105.9	(107.3)	794.8
Depreciation and amortisation						(349.4)
Other ²						1.7
Operating profit						447.1
Net financing cost						(147.9)
Profit before tax						299.2
Taxation						(55.8)
Profit for the year						243.4
Cash capital expenditure³	43.8	6.1	153.0	0.4	209.6	412.9
Financing costs capitalised in the cost of qualifying assets						36.1
Cash flow timing ⁴						37.2
Total capital expenditure						486.2

1 Enterprise excludes the disposals made during the first half of 2016

2 Other relates primarily to the share of profit from associates

3 Cash capital expenditure is the cash flow relating to tangible and intangible asset additions; it includes capitalised labour costs and excludes capitalised interest

4 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)	2017		2016	
	Revenue	Non-current segment assets	Revenue	Non-current segment assets
United Kingdom	78.9	870.9	99.9	958.2
Rest of Europe	430.8	852.3	369.9	659.0
North America	559.4	134.8	484.4	439.5
Asia and Pacific	246.1	120.2	279.9	83.2
Rest of the world	85.0	0.1	94.5	8.5
Unallocated ¹	–	2,123.2	–	1,683.7
	1,400.2	4,101.5	1,329.0	3,832.1

1 Unallocated items relate to satellites which are in orbit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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	2017	2016
Depreciation of property, plant and equipment	13	323.5	278.1
Amortisation of intangible assets	14	83.2	71.3
Restructuring costs		19.9	–
Loss on disposal of assets		7.3	0.7
Operating lease rentals:			
Land and buildings		13.8	14.8
Services equipment, fixtures and fittings		–	0.3
Cost of inventories recognised as an expense		62.3	33.3
Write downs of inventories recognised as an expense	18	5.1	0.5
Research costs expensed		8.0	13.3

Remuneration payable to the Group's auditor Deloitte LLP and its associates in the year is analysed below:

(\$ in millions)	2017	2016
Audit fees:		
Annual audit of the Company	0.2	0.2
Annual audit of subsidiary companies	0.9	0.8
Total audit fees	1.1	1.0
Audit-related assurance services ¹	0.1	0.1
Total audit and audit-related fees	1.2	1.1
Tax advisory services	–	0.1
Other services ²	–	0.1
Total non-audit fees	–	0.2
Total auditor's remuneration	1.2	1.3

¹ Fees paid for audit-related assurance services refer to the half year and quarterly reviews of the Group's interim financial statements

² Other services in 2016 relate to a corporate financing transaction

7. EMPLOYEE BENEFIT COSTS

(\$ in millions)	Note	2017	2016
Wages and salaries		247.8	222.8
Social security costs		20.6	18.0
Share-based payments (including employers' national insurance contribution)		16.2	15.8
Defined contribution pension plan costs		6.0	9.0
Defined benefit pension plan costs ¹	28	2.0	1.9
Post-employment benefits costs ¹	28	0.4	0.1
Employee benefit costs excluding restructuring charge		293.0	267.7
Restructuring charge		19.9	–
Total employee benefit costs		312.9	267.7

¹ Defined benefit pension plan costs and post-employment benefits costs include current service cost and gain on curtailment for 2017 (see note 28)

EMPLOYEE NUMBERS

The average monthly number of employees (including the Executive Directors) employed during the year:

(\$ in millions)	2017	2016
By activity:		
Operations	825	812
Sales and marketing	394	370
Development and engineering	250	223
Administration	385	357
	1,854	1,762
By segment ¹ :		
Maritime	107	337
Government	199	189
Enterprise	65	72
Aviation	171	108
Central Services	1,312	1,056
	1,854	1,762

¹ As a result of an internal reorganisation in July 2016 certain employees were transferred between business units, the most significant being Maritime to Central Services

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 \$30.1m (2016: \$21.7m) 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)	2017	2016
Short-term benefits	3.8	3.9
Share-based payments ¹	4.8	5.1
	8.6	9.0

¹ Includes employers' national insurance or other social security contributions

The Remuneration report contains full disclosure of Directors' remuneration on pages 76 to 98. 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)	2017	2016
Bank interest receivable and other interest	(6.5)	(4.3)
Total financing income	(6.5)	(4.3)
Interest on Senior Notes and credit facilities	93.9	79.8
Interest on Convertible Bonds	37.5	33.6
Loss on redemption of 2017 Convertible Bonds	–	32.8
Amortisation of debt issue costs	7.9	8.2
Amortisation of discount on Senior Notes due 2022	1.0	1.0
Unwinding of discount on deferred satellite liabilities	0.4	0.6
Net interest on the net defined benefit asset and post-employment liability	1.9	0.4
Other interest	3.5	3.1
Financing costs	146.1	159.5
Less: Amounts capitalised in the cost of qualifying assets	(40.2)	(36.1)
Financing costs excluding derivative adjustments	105.9	123.4
Change in fair value of the derivative liability component of the Convertible Bonds ¹	(7.7)	28.8
Net financing cost	91.7	147.9

¹ For further details of the derivative liability component of the Convertible Bonds due 2023 please refer to note 19

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 8.5% (2016: 7.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAXATION

The tax charge for the year recognised in the income statement:

(\$ in millions)	2017	2016
Current tax:		
Current year	21.8	36.3
Adjustments in respect of prior years	(4.5)	3.8
Total current tax	17.3	40.1
Deferred tax:		
Origination and reversal of temporary differences	13.3	26.3
Adjustments due to reduction in corporation tax rates	9.1	(0.3)
Adjustments in respect of prior years	7.8	(10.3)
Total deferred tax	30.2	15.7
Total taxation charge	47.5	55.8

The effective tax rate is 20.7% (2016: 18.6%) and is reconciled below:

(\$ in millions)	2017	2016
Profit before tax	229.8	299.2
Income tax at 19.25% (2016: 20.00%)	(44.2)	(59.8)
Differences in overseas tax rates	6.4	2.0
Adjustments in respect of prior periods	(3.3)	(3.5)
Adjustments due to reduction in the corporation tax rate	(9.1)	10.3
Impact of UK patent box regime	3.2	3.9
Impact of change in fair value of derivative liability component of Convertible Bond	1.5	(5.8)
Other non-deductible expenses/non-taxable income	(2.0)	(2.9)
Total taxation charge	(47.5)	(55.8)

Tax credited directly to equity:

(\$ in millions)	2017	2016
Current tax charge on share-based payments	–	2.7
Deferred tax credit on share-based payments	(0.2)	(3.2)
Total tax credited directly to equity	(0.2)	(0.5)

Tax (charged)/credit directly to other comprehensive income:

(\$ in millions)	2017	2016
Deferred tax credit relating to gains on cash flow hedges	–	0.1
Deferred tax (charged)/credit on remeasurement of defined benefit asset and post-employment benefits	(2.3)	2.6
Total tax (charged)/credited directly to other comprehensive income	(2.3)	2.7

11. NET FOREIGN EXCHANGE GAIN/(LOSS)

(\$ in millions)	Note	2017	2016
Defined benefit plan and post-employment benefits	28	1.5	0.4
Other operating income		(0.3)	(11.2)
Total foreign exchange gain/(loss)		1.2	(10.8)

12. DIVIDENDS

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.

For the 2017 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 63.3m shares (2016 interim dividend: 43.0m shares), representing 13.9% (2016 interim dividend: 9.5%) of our issued share capital. The scrip amounted to 1,617,973 new shares (2016 interim dividend: 946,283 new shares) and 0.35% (2016 interim dividend: 0.21%) of the issued share capital, which represented a \$13.7m (2016 interim dividend: \$8.9m) cash dividend savings. These shares were issued and made available for trading on 20 October 2017 (2016 interim dividend: 21 October 2016).

For the 2016 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 93.6m shares, representing 20.7% of our issued share capital. The scrip amounted to 2,973,025 new shares and 0.66% of the issued share capital, which represented a \$31.3m cash dividend savings. These shares were issued and made available for trading on 26 May 2017. The option of a scrip dividend election was not in place for the 2015 final dividend.

During 2016, the 2016 interim dividend of \$91.8m (20.59 cents per ordinary share) and the 2015 final dividend of \$143.3m (31.78 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 2017 to be paid on 26 May 2018 to ordinary shareholders on the share register at the close of business on 21 April 2018.

(\$ in cents)	2017	2016
Interim dividend paid per ordinary share	21.62	20.59
Final dividend per ordinary share	12.00	33.37
Total dividend per ordinary share	33.62	53.96

13. PROPERTY, PLANT AND EQUIPMENT

(\$ in millions)	Freehold land and buildings	Service equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2016	17.3	328.3	3,548.5	603.9	4,498.0
Additions	3.3	8.2	54.3	324.7	390.5
Disposals	–	(7.6)	(1.2)	–	(8.8)
Transfers from assets in the course of construction and reclassifications ¹	–	15.8	51.0	(66.8)	–
31 December 2016	20.6	344.7	3,652.6	861.8	4,879.7
Additions	–	73.0	174.9	351.6	599.5
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	20.6	255.2	4,293.2	582.7	5,151.7
Accumulated depreciation:					
1 January 2016	(9.9)	(243.2)	(1,384.7)	–	(1,637.8)
Charge for the year	(0.6)	(46.6)	(230.9)	–	(278.1)
Disposals	–	7.4	0.2	–	7.6
31 December 2016	(10.5)	(282.4)	1,615.5	–	(1,908.3)
Charge for the year	(0.5)	(55.6)	(267.4)	–	(323.5)
Disposals	–	216.8	99.9	–	316.7
31 December 2017	(11.0)	(121.2)	(1,782.9)	–	(1,915.1)
Net book amount at 31 December 2016	10.1	62.3	2,037.2	861.8	2,971.4
Net book amount at 31 December 2017	9.6	134.0	2,510.3	582.7	3,236.6

¹ Reclassifications relate to movements between tangible and intangible asset categories throughout the year to align accounting policies across the Group

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 2017 and 2016, the Group was carrying certain freehold land and buildings with a net book value of nil. Had they been revalued on a market basis, their carrying amount at 31 December 2017 would have been \$30.4m (2016: \$33.2m). Market valuation is based on the Directors' best estimates.

In 2017 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 2017 were \$5.7m (2016: \$3.1m).

14. INTANGIBLE ASSETS

(\$ in millions)	Goodwill	Trademarks	Software	Intellectual property	Terminal development and network access costs	Customer relationships	Spectrum rights, orbital slots and licences	Total
Cost:								
1 January 2016	781.3	25.3	221.7	14.7	180.5	403.8	46.6	1,673.9
Additions	–	0.2	54.7	–	32.1	–	8.7	95.7
Disposals	–	–	(0.1)	(14.0)	–	(7.7)	–	(21.8)
31 December 2016	781.3	25.5	276.3	0.7	212.6	396.1	55.3	1,747.8
Additions	–	0.1	54.9	–	17.9	–	3.1	76.0
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	55.0	1,742.3
Accumulated amortisation:								
1 January 2016	(359.2)	(12.1)	(156.4)	(14.7)	(108.3)	(239.5)	(11.7)	(901.9)
Charge for the year	–	(1.0)	(28.8)	–	(7.8)	(29.2)	(4.5)	(71.3)
Disposals	–	–	0.1	14.0	–	7.7	–	21.8
31 December 2016	(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)
Net book amount at 31 December 2016	422.1	12.4	91.2	–	96.5	135.1	39.1	796.4
Net book amount at 31 December 2017	422.1	11.5	109.6	–	101.9	106.0	37.8	788.9

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.

The capitalised 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 amortizes 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.

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. Amortisation of the GX programme finite life assets commenced when the Inmarsat-5 satellites went operational in December 2015.

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	9.0%	2.0%
Enterprise	54.8	9.0%	2.0%
Aviation	46.4	9.0%	2.0%
U.S. Government	50.6	9.0%	2.0%
Global Government	54.8	9.0%	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.

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. INVESTMENTS

(\$ in millions)	At 31 December 2017	At 31 December 2016
Interest in associates	15.1	13.2
Investments held at cost	1.1	—
Total investments	16.2	13.2

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.

Cash dividends received from the associates for the year ended 31 December 2017 total \$2.1m (2016: \$1.3m). The Group's aggregate share of its associates' profits for the year is \$4.0m (2016: \$2.4m) and has been recognised in the income statement.

Investments held at cost represents the Group's 0.6% investment in Actility S.A. which was made on 5 April 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. 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 2017	At 31 December 2016
Cash at bank and in hand	109.9	50.7
Short-term deposits	377.0	606.3
Cash reclassified to short-term deposits with original maturity of greater than three months	(342.0)	(395.0)
Cash and cash equivalents	144.9	262.0

At 31 December 2017, the Group has \$342.0m of cash held in short-term deposits with an original maturity of between three and 12 months (2016: \$395.0m). 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 2017	At 31 December 2016
Cash and cash equivalents		144.9	262.0
Bank overdrafts	19	(0.3)	(0.5)
Net cash and cash equivalents		144.6	261.5

17. TRADE AND OTHER RECEIVABLES

(\$ in millions)	At 31 December 2017	At 31 December 2016
Current:		
Trade receivables	197.8	210.3
Other receivables	25.4	34.9
Prepayments and accrued income ¹	96.2	61.7
Total trade and other receivables	319.4	306.9
Non-current:		
Prepayments and accrued income	5.8	6.4
Defined benefit pension asset	18.1	4.5
Other receivables	–	0.8
Total other receivables	23.9	11.7

The Group's trade and other receivables are stated after allowances for doubtful debts. Movements during the year were as follows:

(\$ in millions)	2017	2016
At 1 January	13.7	16.1
Charged to the provision in respect of the current year	9.7	11.4
Utilised in the year	(4.2)	(2.1)
Provision released in the year	(6.7)	(11.7)
At 31 December²	12.5	13.7

¹ The balance at year end includes prepayments of \$43.5m (2016: \$44.7m) and accrued income of \$52.7m (2016: \$17.0m)

² The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2017 is \$0.9m between one and 30 days overdue, \$4.8m between 31 and 120 days overdue and \$6.8m over 120 days overdue (2016: \$1.4m between one and 30 days overdue, \$3.4m between 31 and 120 days overdue and \$8.9m over 120 days overdue)

The Directors consider the carrying value of trade and other receivables to approximate to their fair value.

18. INVENTORIES

(\$ in millions)	At 31 December 2017	At 31 December 2016
Finished goods	33.3	33.6
Work in progress	0.6	0.7
Total inventories	33.9	34.3

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 2017	At 31 December 2016
At 1 January	12.8	17.2
Charged to the allowance in respect of the current year	3.9	0.5
Released in the year	(5.1)	(4.9)
At 31 December	11.6	12.8

19. NET BORROWINGS

(\$ in millions)	At 31 December 2017			At 31 December 2016		
	Amount	Deferred financing cost	Net balance	Amount	Deferred financing cost	Net balance
Current:						
Bank overdrafts	0.3	–	0.3	0.5	–	0.5
Deferred satellite payments	3.1	–	3.1	3.8	–	3.8
Ex-Im Bank Facilities	122.2	–	122.2	99.5	–	99.5
Total current borrowings	125.6	–	125.6	103.8	–	103.8
Non-current:						
Deferred satellite payments	5.6	–	5.6	8.4	–	8.4
Senior Notes due 2022	1,000.0	(5.1)	994.9	1,000.0	(6.1)	993.9
– Net issuance discount	(4.5)	–	(4.5)	(5.5)	–	(5.5)
Senior Notes due 2024	400.0	(4.9)	395.1	400.0	(5.6)	394.4
Ex-Im Bank Facilities	508.7	(14.9)	493.8	533.9	(18.6)	515.3
Convertible Bonds due 2023	549.2	(6.6)	542.6	545.5	(7.7)	537.8
– Accretion of principal	12.4	–	12.4	3.7	–	3.7
Total non-current borrowings	2,471.4	(31.5)	2,439.9	2,486.0	(38.0)	2,448.0
Total borrowings	2,597.0	(31.5)	2,565.5	2,589.8	(38.0)	2,551.8
Cash and cash equivalents	(144.9)	–	(144.9)	(262.0)	–	(262.0)
Short-term investments	(342.0)	–	(342.0)	(395.0)	–	(395.0)
Net borrowings	2,110.1	(31.5)	2,078.6	1,932.8	(38.0)	1,894.8

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. Drawings under this facility incur interest at a fixed rate of 3.11% for the life of the loan. In November 2014, the Group signed a seven-year \$185.9m facility which has a total availability period of two years and is now repayable in equal semi-annual instalments over a further five years. 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 CREDIT FACILITY

On 22 May 2015, the Group signed a five-year \$500.5m revolving credit facility ('Senior Credit Facility'). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 0.70% and 1.70% determined by reference to the ratio of net debt to EBITDA. At 31 December 2017, there were no drawings under the Senior Credit Facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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% p.a. 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).

Upon issuance, in accordance with IAS 32 the instrument was bifurcated between a cash debt component and a derivative liability component, being \$545.5m and \$104.5m respectively. 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. The derivative liability represents the value of the conversion rights 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)	2017	2016
Fair value of Convertible Bonds issued	650.0	650.0
Cost of issue	(8.1)	(8.1)
Net proceeds	641.9	641.9
Derivative liability component	(104.5)	(104.5)
Debt liability component at date of issue net of issue costs	537.4	537.4
Cumulative amortisation of debt issue costs to 31 December 2017	1.5	0.4
Cumulative interest charged to 31 December 2017	49.1	11.6
Cumulative coupon interest to 31 December 2017	(33.0)	(7.9)
Debt liability component at 31 December 2017	555.0	541.5
Fair value of derivative liability component at 31 December 2017	125.7	133.4
Fair value of Convertible Bond at 31 December 2017	680.7	674.9

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 \$33.0m and accreted interest of \$16.1m, 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 %	2017	2016
Bank overdrafts	6.5%	3.8%
Senior Notes due 2022	4.9%	4.9%
Senior Notes due 2024	6.5%	6.5%
Ex-Im Bank 2011 Facility	3.1%	3.1%
Ex-Im Bank 2014 Facility	3.6%	2.0%
Deferred satellite payments	3.0%	3.8%
Convertible Bonds due 2023	6.8%	6.8%

Reconciliation of movements in liabilities to cash flows arising from financing activities:

(\$ in millions)	At 31 December 2016	Drawdowns and repayments	Cashflows	Transfers ¹	Interest expense	Arrangement cost amortisation	Movement in Fair Value	Other non-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
Cash and cash equivalents	(262.0)	–	–	–	–	–	–	–	(144.9)
Short term borrowings	(395.0)	–	–	–	–	–	–	–	(342.0)
Net debt	2,028.2	–	–	–	–	–	–	–	2,204.3

¹ Transfers comprise debt maturing from long term to short term borrowings

² Includes derivative liability component

20. TRADE AND OTHER PAYABLES

(\$ in millions)	At 31 December 2017	At 31 December 2016
Current:		
Trade payables	210.5	133.8
Deferred consideration	–	0.5
Other taxation and social security payables	6.2	5.7
Other payables	4.5	11.2
Accruals and deferred income ¹	363.4	357.1
Total trade and other payables	584.6	508.3
Non-current:		
Deferred consideration	–	0.2
Other payables	7.5	23.8
Defined benefit pension and post-employment liability	17.5	17.5
Total other payables	25.0	41.5

¹ The deferred income balance includes \$181.8m (2016: \$197.8m) relating to payments received from Ligado Networks. During the current financial year, \$16.0m (2016: \$11.0m) 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.

21. 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 2016	1.8	2.5	4.3
Charged in respect of current year	3.6	0.3	3.9
Utilised in current year	(3.5)	–	(3.5)
At 31 December 2016	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

The Group's current provisions consist of a \$16.0m restructuring provision along with \$0.2m relating to Asset retirement obligations. The associated cash flows in respect of the restructuring provision outstanding at 31 December 2017 are expected to occur within one year.

22. CURRENT AND DEFERRED TAXATION

The current tax asset of \$13.8m and current tax liability of \$130.2m (2016: \$8.5m and \$129.0m, 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:

(\$ in millions)	At 31 December 2017			At 31 December 2016		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	(25.8)	230.9	205.1	(32.7)	198.4	165.7
Borrowing costs capitalised in the cost of qualifying assets	–	27.8	27.8	–	33.7	33.7
Pension and post-employment benefits	(0.2)	1.1	0.9	(2.0)	–	(2.0)
Share options	(1.5)	–	(1.5)	(3.8)	–	(3.8)
Tax losses	(20.4)	–	(20.4)	(15.9)	0.5	(15.4)
Other	(11.4)	1.2	(10.2)	(10.2)	1.0	(9.2)
Net deferred tax liabilities	(59.3)	261.0	201.7	(64.6)	233.6	169.0

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2017	At 31 December 2016
Deferred tax assets	(35.6)	(39.3)
Deferred tax liabilities	237.3	208.3
Net deferred tax liabilities	201.7	169.0

Movement in temporary differences during the year:

(\$ in millions)	At 1 January 2017	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2017
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)	(1.0)	–	–	(10.2)
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	30.2	0.2	2.3	201.7

(\$ in millions)	At 1 January 2016	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2016
Property, plant and equipment and intangible assets	149.2	16.5	–	–	165.7
Borrowing costs capitalised in the cost of qualifying assets	41.7	(8.0)	–	–	33.7
Other	(9.7)	0.7	–	(0.2)	(9.2)
Pension and post-employment benefits	0.5	0.1	–	(2.6)	(2.0)
Share-based payments	(7.8)	0.8	3.2	–	(3.8)
Tax losses	(21.0)	5.6	–	–	(15.4)
Total	152.9	15.7	3.2	(2.8)	169.0

Total unprovided deferred tax assets:

(\$ in millions)	At 31 December 2017	At 31 December 2016
Unused income tax losses	(2.4)	(34.1)
Unused capital losses	(23.0)	(24.2)
Total	(25.4)	(58.3)

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 (2016: \$nil), resulting in a deferred tax liability of \$nil (2016: \$nil).

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 U.S. 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.

23. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to cash generated from operations:

(\$ in millions)	2017	2016
Profit for the year	182.3	243.4
Adjustments for:		
Taxation charge	47.5	55.8
Financing costs	105.9	123.4
Financing income	(6.5)	(4.3)
Mark-to-market valuation	(7.7)	28.8
Operating profit	321.5	447.1
Depreciation and amortisation	406.7	349.4
Loss on disposal of assets	7.3	0.7
Share of profit of associates	(4.0)	(2.4)
EBITDA	731.5	794.8
Dividends received from associates	2.1	1.3
Non-cash employee benefit costs	16.2	15.8
Forward exchange contracts	–	(1.2)
Non-cash foreign exchange movements	1.5	(1.5)
Changes in net working capital:		
Decrease in restricted cash ¹	–	0.2
(Increase)/decrease in trade and other receivables	(25.6)	19.0
Decrease/(Increase) in inventories	0.4	(9.3)
Increase/(decrease) in trade and other payables	33.7	(13.6)
Increase in provisions	14.6	–
Cash generated from operations	774.4	805.5

¹ At 31 December 2017, the Group has \$2.8m (2016: \$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

24. SHARE CAPITAL

(\$ in millions)	At 31 December 2017	At 31 December 2016
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2016: 1,166,610,560)	0.7	0.7
	0.7	0.7
Allotted, issued and fully paid:		
457,659,212 ordinary shares of €0.0005 each (2016: 452,062,811)	0.3	0.3
	0.3	0.3

During the year ended 31 December 2017, a total of 1,005,403 (2016: 1,527,989) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes. In addition, 2,973,025 ordinary shares and 1,617,973 ordinary shares (2016: nil and 946,283) of €0.0005 each were allotted and issued by the Company as part of the final 2016 and interim 2017 scrip dividend offering respectively. No shares were repurchased during 2017 or 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. 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'), which replicate the previous Bonus Share Plan ('BSP') and Performance Share Plan ('PSP') awards. 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 120.

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 2017, is as follows:

(\$ in millions)	Shares available for grant
Balance at 1 January 2017¹	138,086
Exercised – Long-Term Incentive Plan and Performance Share Awards	(60,810)
Balance at 31 December 2017	77,276
Exercisable at 31 December 2017	77,276

¹ Includes shares allocated within the Trust from the 2004 Plan

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 76 to 98.

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 change.

In June 2017, an award was granted under similar conditions to existing BSA schemes for one of the business units.

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.

The performance conditions for the PSA are based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 50-150 and FTSE 350 Indices (excluding investment trusts), depending upon the year of the award, and on EBITDA or revenue growth measured over a three-year period. For the award made in 2014, the vesting schedule is structured so that 50% of the reward is linked to the performance of TSR and 50% is linked to EBITDA, as individual performance measures. The market-based performance condition has been incorporated into the fair value. For the 2015, 2016 and 2017 awards, the vesting schedule has been restructured 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 fair values and the assumptions used in the calculation of PSA awards vesting or due to vest in 2017 or after are as follows:

Grant date	Performance Share Awards		
	22 March 2017	23 March 2016	30 March 2015
Grant price	£7.62	£9.30	£9.34
Exercise price	nil	nil	nil
Bad leaver rate	12%	12%	12%
Vesting period	3 years	3 years	3 years
Volatility	28.6%	22.5%	20.8%
Fair value per share option (Executive Director level)	£4.43	£7.91	£8.50
Fair value per share option (below Executive Director level)	£7.63	£9.43	£9.41

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 2017 is 0.8 and 1.3 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 June 2017 with an option price of £6.04 (reflecting the maximum discount permitted of 20%) will mature in August 2020. A grant made in June 2016 with an option price of £5.68 (reflecting the maximum discount permitted of 20%) will mature in August 2019.

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 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 2017 is 2.1 years 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%) will mature 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.

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) 6 June 2017	Sharesave Scheme (UK and International) 30 June 2016	ESPP 6 June 2017	ESPP 14 December 2015
Market price at date of grant	£8.43	£8.05	£8.43	£10.85
Exercise price	£6.04	£5.68	£7.16	£9.22
Bad leaver rate	3% pa	3% pa	3% pa	3% pa
Vesting period	36 months	36 months	25 months	26 months
Volatility	27.9%	24.6%	32.7%	20.4%
Dividend yield assumption	5.1%	4.5%	5.0%	3.0%
Risk-free interest rate	0.1%	0.1%	0.1%	0.4%
Fair value per option	£1.93	£1.85	£1.61	£1.74

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. Arrangements exist which replicate the awards as closely as possible for eligible international employees, using the same market values per award as used by SIP.

A summary of share awards activity as at 31 December 2017 is as follows:

	SIP (UK)	BSA	PSA	Total
Balance at 1 January 2017	237,261	2,554,288	1,380,010	4,171,559
Granted/allocated	–	1,660,251	767,153	2,427,404
Forfeited/lapsed	–	(622,211)	(416,040)	(1,038,251)
Exercised/sold/transferred	(51,320)	(779,140)	(251,800)	(1,082,260)
Balance at 31 December 2017	185,941	2,813,188	1,479,323	4,478,452
Exercisable at 31 December 2017	185,941	–	–	185,941
Exercise price per share	n/a	nil	nil	

A summary of share option activity as at 31 December 2017 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 2017	543,735	£5.68	432,514	£5.68	73,874	£9.22	1,050,123
Granted/allocated	486,398	£6.04	350,837	£6.04	66,045	£7.16	903,280
Forfeited/lapsed	(120,977)	£5.81	(74,522)	£5.71	(34,572)	£8.66	(230,071)
Exercised	(3,300)	£5.68	(99)	£5.68	–	–	(3,399)
Balance at 31 December 2017	905,856	£5.86	708,730	£5.86	105,347	£8.11	1,719,933
Exercisable at 31 December 2017	–	–	–	–	–	–	–
Exercise price per share	£5.68 to £6.04		£5.68 to £6.04		£7.16 to £9.22		

26. RESERVES

Cash flow hedge reserve:

(\$ in millions)	2017	2016
Balance at 1 January	(23.3)	0.9
Loss recognised on cash flow hedges:		
Forward exchange contracts	14.1	(24.7)
Reclassified and capitalised on the balance sheet:		
Forward exchange contracts	1.5	1.3
Reclassified to the income statement:		
Interest rate swaps	–	(0.9)
Tax charged related to amounts transferred to the income statement	–	0.1
Balance at 31 December	(7.7)	(23.3)

Gains and losses reclassified from equity into the income statement during the period are included in the following income statement lines.

(\$ in millions)	2017	2016
Total net operating costs	–	(0.9)
Tax credit	–	0.1
Total credited to the income statement in the year	–	(0.8)

Gains and losses relating to the effective portion of cash flow hedges are recognised in other comprehensive income and the cash flow hedge reserve. When a hedged item is recognised in the income statement the cumulative deferred gain or loss 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 transferred from the cash flow hedge reserve and included in the initial measurement of its cost.

27. EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2017 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)	2017	2016
Profit attributable to equity holders of the Company	181.7	242.8
Profit attributable to equity holders for diluted earnings per share	181.7	242.8

(millions)	2017	2016
Weighted average number of ordinary shares in issue	454.8	449.7
Potentially dilutive ordinary shares	5.1	4.9
Weighted average number of ordinary shares for diluted earnings per share	459.9	454.6

(\$ per share)	2017	2016
Basic earnings per share	0.40	0.54
Diluted earnings per share	0.40	0.53

Adjusted earnings per share

Adjusted earnings per share for the year ended 31 December 2017 has been calculated based on profit attributable to equity holders adjusted for the post-tax impact of the early repurchase of the 2017 convertible bonds (2016 amounts only), 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.

(\$ in millions)	2017	2016
Profit attributable to equity holders of the Company	181.7	242.8
Adjustment for:		
(Decrease)/Increase in fair value of conversion of the liability component of 2023 convertible bonds	(7.7)	23.0
Loss on redemption of 2017 convertible bonds (post-tax)	–	26.2
Restructuring costs (post-tax)	16.1	–
Adjustable profit attributable to equity holders of the Company¹	190.1	292.0

(millions)	2017	2016
Weighted average number of ordinary shares in issue	454.8	449.7
Potentially dilutive ordinary shares	5.1	4.9
Weighted average number of ordinary shares for diluted earnings per share	459.9	454.6

(\$ per share)	2017	2016
Basic earnings per share¹	0.42	0.65
Diluted earnings per share¹	0.41	0.64

¹ The 2017 fair value of the conversion liability component of the convertible bond is a pre-tax figure, whereas the 2016 comparative is post-tax. If we were to align 2016 to 2017, the adjusted profit attributable to equity holders would be 297.8 and basic and adjusted EPS would be \$0.66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. 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 2017. 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 Group is also required to make employer contributions at 15% of the members' salary to the fund 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 2017. 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 2017, are set out below.

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 2017	At 31 December 2016
Weighted average actuarial assumptions:		
Discount rate	2.6%	2.7%
Future salary increases	2.3%	3.2%
Medical cost trend rate	3.2%	3.6%
Future pension increases	2.9%	2.8%

Mortality assumptions have been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for the Company's pension and post-employment benefits liabilities are as follows:

	Life expectancy 2017	Life expectancy 2016
Male current age 65	88.8	88.6
Female current age 65	90.0	89.7

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 2017, mortality has been assumed to follow the SAPS tables with -1 year age rating for males and CMI 2013 improvement with a long-term trend of 1.5% p.a.

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%	(5.5)	(0.2)
Decrease in discount factor of 0.25%	5.9	0.2
Increase in inflation of 0.25%	5.9	0.2
Decrease in inflation of 0.25%	(5.4)	(0.1)
Mortality: -2 years for males and -1 year for females	2.9	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%	(0.9)	–
Increase in inflation of 0.5%	1.0	–
Increase in healthcare cost trend rate of 1%	2.1	0.1
Decrease in healthcare cost trend rate of 1%	(1.7)	(0.1)

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 2017	At 31 December 2016
Present value of funded defined benefit obligations (pension)	(126.5)	(135.9)
Present value of unfunded defined benefit obligations (pension)	(0.5)	(0.4)
Present value of unfunded defined benefit obligations (post-employment benefits)	(15.9)	(16.7)
Fair value of defined benefit assets	143.5	140.0
Net defined benefit asset/(liability) recognised in the balance sheet	0.6	(13.0)

The above net liability is recognised in the balance sheet as follows:

(\$ in millions)	Note	At 31 December 2017	At 31 December 2016
Defined benefit pension asset	17	18.1	4.5
Defined benefit pension and post-employment liability	20	(17.5)	(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 2016	109.9	17.0
Current service cost	1.7	0.1
Interest cost	3.6	0.6
Remeasurement losses:		
Actuarial loss arising from changes in financial assumptions	37.8	2.0
Foreign exchange gain	(16.8)	(2.7)
Benefits paid	(0.9)	(0.3)
Contributions by pension participants	1.0	–
At 31 December 2016	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

Analysis of the movement in the fair value of the assets of the defined benefit pension plans is as follows:

(\$ in millions)	2017	2016
At 1 January	140.0	127.6
Interest income	3.7	4.2
Remeasurement gains/(losses):		
Experience return on plan asset (excluding interest income)	7.2	25.6
Actuarial (loss)/gains arising from changes in financial assumptions	(0.4)	0.8
Contributions by employer	1.0	1.5
Contributions by pension participants	0.3	1.0
Benefits paid	(19.6)	(0.6)
Expenses paid (included in service cost)	(0.4)	(0.2)
Foreign exchange gain/(loss)	11.7	(19.9)
At 31 December	143.5	140.0

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

Amounts recognised in the income statement in respect of the plans are as follows:

(\$ in millions)	2017		2016	
	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	2.0	0.4	1.9	0.1
Past service gain	(4.1)	0.0	–	–
Net interest (income)/expense	(0.1)	0.5	(0.6)	0.6
Foreign exchange (gain)/loss	(0.4)	1.9	3.1	(2.7)
	(2.6)	2.8	4.4	(2.0)

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:

(\$ in millions)	2017		2016	
	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial gains arising from changes in financial assumptions	(2.2)	(3.3)	37.0	2.0
Actuarial gains arising from changes in experience adjustment	–	–	(25.6)	–
Return on plan asset (excluding interest income)	(7.2)	–	–	–
Remeasurement of the net defined benefit asset and liability	(9.4)	(3.3)	11.4	2.0

The assets held in respect of the Group's defined benefit schemes were as follows:

	At 31 December 2017		At 31 December 2016	
	Value (\$ in millions)	Percentage of total plan assets	Value (\$ in millions)	Percentage of total plan assets
Equities	30.7	21.4%	36.0	25.7%
Cash	1.4	1.0%	1.6	1.1%
Bonds	80.9	56.4%	78.5	56.1%
Other	30.5	21.2%	23.9	17.1%
Fair value of scheme assets	143.5		140.0	

The Inmarsat Global defined benefit plan assets, which contribute over 93% of the total Group assets, are all invested in pooled investment funds, the majority of which are priced daily, except for the High Income UK Property, Liquid Alternative Strategies Alternatives and Multi Asset Credit funds which are priced monthly and the UCITS Alternative Strategies fund which is priced weekly. With regard 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 U.S. GAAP audited financials, including capital account statements, for each 31 December fiscal year-end around 30 June of the subsequent year.

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The allocations to each of the investment funds as at 31 December 2017 are as follows:

Fund	Legal structure	Allocation (%)
Passive Global Equity	Mercer QIF CCF	3.2%
Global Fundamental (RAFI) Equity	Mercer QIF CCF	3.1%
Global Low Volatility Equity	MGI Funds PLC	2.8%
Global Small Cap Equity	MGI Funds PLC	3.3%
Sustainable Equity	MGI Funds PLC	1.8%
Global Listed Infrastructure Equity	MGI Funds PLC	1.3%
Eurozone Equity	MGI Funds PLC	1.5%
Emerging Markets Equity	MGI Funds PLC	5.9%
Emerging Markets Debt	MGI Funds PLC	2.7%
Global High Yield Bonds	MGI Funds PLC	0.6%
Multi Asset Credit	Mercer QIF Fund PLC	3.1%
Absolute Return Fixed Income	MGI Funds PLC	1.8%
Liquid Alternatives Strategies	Mercer QIF Fund PLC	8.9%
Mercer UCITS Alternatives Strategies	MGI Funds PLC	2.8%
High Income UK Property	Mercer QIF CCF	2.6%
Private Debt	Mercer Private Investment Partners (Offshore) LLP	1.9%
UK Cash	MGI Funds PLC	0.5%
Total growth portfolio		47.8%
UK Credit	Mercer PIF Fund PLC	13.2%
UK Long Gilt Fund	MGI Funds PLC	0.2%
Inflation Linked Bonds	MGI Funds PLC	9.3%
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	8.1%
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	14.0%
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	7.4%
Total matching portfolio		52.2%
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 26 years. The defined benefit obligation as at December 2017 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	90%
Pensioner members	10%

The average age of the active, deferred and pensioner members at the date of the last statutory funding valuation for the Inmarsat Global defined benefit plan (31 December 2014) was 54 years, 55 years and 68 years, respectively.

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2018 are \$0.1m. In 2017 actual contributions under this plan were \$0.2m (2016: \$0.7m).

Under the current Inmarsat Global defined benefit plan Recovery Plan and Schedule of Contributions there are no further contributions due in respect of the past service deficit revealed as part of the last statutory funding valuation as at 31 December 2014. The current Schedule of Contributions requires the Company to pay 15% of pensionable salary in respect of the additional accrual of future benefits for members of the defined benefit tier of the Pensionbuilder section and any notional member contributions payable under the SMART arrangement. Contributions in respect of the Defined Contribution tier and the Pensionsaver section are paid in addition.

The next statutory funding valuation of the plan will be carried out as at 31 December 2017. As part of this, the Trustees and Company will be required to agree a pattern of contributions to cover any deficit revealed by the valuation, along with the rate payable for future accrual of benefits. This could lead to an increase or decrease from the current level of contributions.

29. OPERATING LEASE AND OTHER COMMITMENTS

The Group's future aggregate minimum lease payments under non-cancellable operating leases and other unrecognised contractual commitments are as follows:

(\$ in millions)	At 31 December 2017			At 31 December 2016		
	Non-cancellable operating leases	Other unrecognised contractual commitments	Total	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	12.7	6.9	19.6	15.5	5.4	20.9
Within two to five years	46.6	40.3	86.9	50.5	36.4	86.9
After five years	29.3	0.4	29.7	72.1	0.8	72.9
	88.6	47.6	136.2	138.1	42.6	180.7

Operating lease commitments primarily relate to leased office space, including the Group's head office located at 99 City Road, London EC1Y 1AX. Other unrecognised non-cancellable contractual commitments relate to network service contracts and maintenance contracts, which have varying terms.

The total of future sublease payments expected to be received under non-cancellable subleases at 31 December 2017 relating to the aforementioned head office lease is \$0.1m over one year (at 31 December 2016: \$0.2m over one year).

In addition, the Group has the following purchase commitments, relating to future obligations to purchase space segment capacity:

(\$ in millions)	At 31 December 2017	At 31 December 2016
Within one year	24.7	30.4
Within two to five years	11.5	5.8
	36.2	36.2

The Group has various agreements deriving revenue from designated leased capacity and 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 2017	At 31 December 2016
Within one year	28.7	23.3
Within two to five years	18.7	2.5
	47.4	25.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

(\$ in millions)	At 31 December 2017	At 31 December 2016
As per balance sheet		
Cash and cash equivalents	(144.9)	(262.0)
Short-term deposits greater than three months	(342.0)	(395.0)
Borrowings	2,565.5	2,551.8
Net borrowings	2,078.6	1,894.8
Equity attributable to shareholders of the parent	1,254.7	1,239.7
Capital	3,333.3	3,134.5

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 2017 is 2.8 (2016: 2.4). 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.

31. 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.

FINANCIAL INSTRUMENTS BY CATEGORY

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

(\$ in millions)	At 31 December 2017			At 31 December 2016		
	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per balance sheet						
Trade receivables and other ¹	275.3	–	275.3	250.7	–	250.7
Cash and cash equivalents	144.9	–	144.9	262.0	–	262.0
Derivative financial instruments	–	1.5	1.5	–	1.8	1.8
	420.2	1.5	421.7	512.7	1.8	514.5

¹ Consists of trade receivables, other receivables and accrued income (see note 17)

(\$ in millions)	At 31 December 2017				At 31 December 2016			
	Derivatives used for hedging	Fair value through profit and loss	Other financial liabilities	Total	Derivatives used for hedging	Fair value through profit and loss	Other financial liabilities	Total
Liabilities as per balance sheet								
Borrowings	–	–	2,565.5	2,565.5	–	–	2,551.8	2,551.8
Trade payables and other ¹	–	–	328.0	328.0	–	–	236.4	236.4
Derivative financial instruments	10.0	125.7	–	135.7	26.1	133.3	–	159.4
	10.0	125.7	2,893.5	3,029.2	26.1	133.3	2,788.2	2,947.6

¹ Consists of trade payables, deferred consideration, other payables and accruals (see note 20)

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 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

(\$ in millions)	At 31 December 2016				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ¹	223.6	219.3	216.7	2,741.5	3,401.1
Trade payables and other	213.2	17.9	3.9	1.4	236.4
Derivative financial instruments	5.9	16.9	3.2	133.4	159.4
	442.7	254.1	223.8	2,876.3	3,796.9

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The fair values at the balance sheet date were:

(\$ in millions)	At 31 December 2017	At 31 December 2016
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.5	0.8
Forward foreign currency contracts – undesignated	–	1.0
Total derivative financial assets	1.5	1.8
Current portion of derivative financial assets	1.2	1.7
Non-current portion of derivative financial assets	0.3	0.1
Financial liabilities:		
Conversion liability component of 2023 Convertible Bond	125.7	133.4
Forward foreign currency contracts – designated cash flow hedges	9.9	23.9
Forward foreign currency contracts – undesignated	0.1	2.1
Total derivative financial liabilities	135.7	159.4
Current portion of derivative financial liabilities	7.9	5.9
Non-current portion of derivative financial liabilities	127.8	153.5

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 carrying amount of the liability component of the Convertible Bond. Both are classified as level 2 in the fair value hierarchy according to IFRS 7.

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 2017 and 2016:

Outstanding forward foreign exchange contracts (in millions)	At 31 December 2017				Fair value (US\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 Years	
GBP contracts	£105.2	£87.6	£13.7	£3.8	(9.0)
CAD contracts	CAD 30.9	CAD 20.1	CAD 7.8	CAD 3.0	0.9

Outstanding forward foreign exchange contracts (in millions)	At 31 December 2016				Fair value (US\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 Years	
GBP contracts	£124.1	£24.8	£81.8	£17.5	(24.5)
CAD contracts	CAD 50.5	CAD 22.2	CAD 17.5	CAD 10.8	0.3

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 2017, 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 \$7.7m. 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 reclassified to profit and loss.

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, deferred consideration, 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 7.

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 16)
- the fair value of trade and other receivables and payables, accrued income and costs, and deferred consideration approximate their carrying values (see notes 17 and 20 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 19)
- the Senior Notes due 2022 are reflected in the balance sheet net of unamortised arrangement costs and net issuance premium of \$5.1m and \$4.5m, respectively (see note 19). 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 \$4.9m (see note 19). 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 \$14.9m (2016: \$18.6m). The fair value of the 2011 facility has been based on the implicit interest rate of the 2014 facility (see note 19) and
- the liability component of the Convertible Bonds is reflected in the balance sheet on an amortised cost basis, net of unamortised arrangement costs of \$6.6m (2016: \$7.7m) (see note 19). The fair value of the Convertible Bonds is based on the market price of the bonds and is reflected in the table below

(\$ in millions)	At 31 December 2017		At 31 December 2016	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2022	1,000.0	1,000.8	1,000.0	975.0
Senior Notes due 2024	400.0	408.1	400.0	408.3
Ex-Im Bank Facilities	630.9	639.7	633.4	649.4
Convertible Bonds due 2023	561.6	687.3	549.2	682.6

32. CAPITAL COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2017 of \$968.0m (2016: \$972.2m). These amounts primarily represent commitments in respect of the Group's 1-6 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.

33. CONTINGENT LIABILITY

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 2017, the Group had no material contingent liabilities.

34. 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 2017 financial statements.

35. 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 2017 financial year was \$38.1m and \$16.9m, respectively (2016: \$33.1m and \$18.2m, respectively). The amount receivable from the related parties at 31 December 2017 was \$12.6m and \$1.7m, respectively (2016: \$9.3m and \$1.8m, respectively).

Amounts owing to the Executive as at 31 December 2017 and 2016 were \$1.2m and relate to remuneration earned in the normal course of operations (see note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2017, 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 2017	Interest in issued ordinary share capital at 31 December 2016
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 Limited	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 Limitada	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 / C	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 / E	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%
Stratos Gesellschaft für satelliten-kommunikation mbH.	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	Operating company	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 Columbia	Operating company	Columbia / I	100%	–
Flysurfer Peru S.A.C.	Operating company	Peru / R	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 2017: Inmarsat Trustee Company Limited (03688399), Stratos Global Holdings Limited (04113448) and Inmarsat Employee Share Plan Trustees Limited (03669306).

REGISTERED ADDRESS KEY

Key	Registered Address
A	99 City Road, London EC1Y 1AX
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	2711 Centerville Road, Suite 400, Wilmington, New Castle DE, United States
E	1101 Connecticut Avenue, N.W. Suite 1225 WA 20036, United States
F	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Australia
G	Nisso Building #22 8F, Azabudail-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	4th and 5th floors of No. 20-4, Ronghui Park, Yuhua Road, Area B, Tianzhu Airport Industrial Zone, Shunyi District, Beijing
K	1, Lampousas, Nicosia, 1095, Cyprus
L	Aarberger Strasse 18, 12205, Berlin, Germany
M	280 Kifisias Avenue, Halandri, 152 32, Greece
N	19 Floor, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
O	Hlíðarsmára 10, 201 Kópavogi
P	B-92, 9th Floor Himalaya House, K.G. Marg, New Delhi, 110001, India
Q	Panbil Residence 1st – 2nd Floor, Jl. Ahmad Yani, Muka Kuning – Batam – 29433, Indonesia
R	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, New Zealand
V	Loire 158-160, 2491 AL, The Hague, Netherlands
W	Borgundfjordvegen 116, 6017 Alesund, 1504 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 Crossier 19, 1262, Eysins, Switzerland
AC	Al Maktoum Street, Al Reem Tower, Suite 402, P.O. Box 27313, Dubai, UAE, United Arab Emirates
AD	Canterbury House, 27 New Dover Road, Canterbury, Kent CT1 3DN

COMPANY BALANCE SHEET

at 31 December 2017

(\$ in millions)	2017	2016
Assets		
Non-current assets		
Investments ¹	1,111.0	1,100.4
Other receivables ²	438.0	356.8
Deferred tax assets	0.2	0.7
	1,549.2	1,457.9
Current assets		
Cash and cash equivalents	1.8	2.3
Trade and other receivables ³	19.0	9.3
Current tax assets	10.8	5.1
Restricted cash	0.4	0.4
	32.0	17.1
Total assets	1,581.2	1,475.0
Liabilities		
Current liabilities		
Trade and other payables ⁴	44.2	33.6
	44.2	33.6
Non-current liabilities		
Borrowings ⁵	555.0	542.2
Derivative financial instruments	125.7	133.4
	680.7	675.6
Total liabilities	724.9	709.2
Net assets	856.3	765.8
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	745.4	700.4
Other reserves	99.6	85.0
Retained earnings	11.0	(19.9)
Total equity	856.3	765.8

¹ Investments consist of a \$1,007.8m investment in Inmarsat Holdings Limited (2016: \$1,007.8m) and \$103.2m of capital contributions to Group companies in respect of share-based payments (2016: \$92.4m)

² Other receivables consist of \$438.0m amounts due from Group companies (2016: \$356.8m)

³ Trade and other receivables consist of \$19.0m amounts due from Group companies (2016: \$9.3m)

⁴ Trade and other payables consists of \$1.4m due to shareholders in respect of dividends paid during 2017 (2016: \$1.9m), accruals of \$11.7m (2016: \$10.8m), amounts due to Group companies of \$30.2m (2016: \$20.4m) and other payables of \$0.9m (2016: 0.5m)

⁵ Borrowings comprise the Convertible Bonds discussed in note 19 to the consolidated financial statements

The Company reported a profit for the financial year ended 31 December 2017 of \$281.4m (2016: \$154.4m).

The financial statements of the Company, registered number 4886072, on pages 154 to 155 were approved by the Board of Directors on 9 March 2018 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 2017

(\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Other reserve ¹	Retained earnings	Total
Balance at 1 January 2016	0.3	687.6	56.9	73.8	(2.9)	12.8	828.5
Share-based payments	–	–	–	14.1	–	(0.1)	14.0
Early repurchase of 2017 convertible bonds	–	–	(8.8)	–	–	–	(8.8)
Transfer equity reserve to retained earnings	–	–	(48.1)	–	–	48.1	–
Dividends declared	–	–	–	–	–	(235.1)	(235.1)
Scrip dividend cash reinvestment	–	–	–	–	–	8.9	8.9
Scrip dividend share issue	–	8.9	–	–	–	(8.9)	–
Issue of share capital	–	3.9	–	–	–	–	3.9
Profit for the year	–	–	–	–	–	154.4	154.4
Balance at 31 December 2016	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

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 2017

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, and related party transactions.

Where relevant, equivalent disclosures have been given in the Group accounts of the Company.

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 2017 was \$281.4m (2016: \$80.6m).

AUDITOR'S REMUNERATION

During the year, the Company paid its external auditor \$0.1m for statutory audit services (2016: \$0.1m).

EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The average monthly number of people employed during the year was two (2016: two). Total staff costs for 2017 were \$9.2m (2016: \$7.4m). 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 24 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 \$466.0m (2016: \$366.0m) amounts due from Group companies and \$30.2m (2016: \$21.1m) 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.

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.

ADJUSTED EBITDA

Adjusted EBITDA is EBITDA excluding restructuring costs.

ALPHASAT

A satellite developed with the European Space Agency and launched in 2013. It supplements 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.

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 Employee 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.

E

EAN

For our European Aviation Network ('EAN'), the satellite and the complementary ground component ('CGC') are integrated and the CGC is not stand alone.

EBITDA

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

F

FLEETBROADBAND

Our flagship L-band maritime service providing voice and broadband data services across the world's oceans.

FREE CASH FLOW

How much cash is available to pay back borrowings, distribute to investors or invest in the business in future periods.

FX

Fleet Xpress is Inmarsat's GX-based product for the maritime market using our Ka-band satellites.

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 approved provider of this Maritime Safety Service by the International Maritime Organization ('IMO').

GROUND STATIONS

Our Ground Stations connect Inmarsat satellites to terrestrial networks and the internet. They are in locations across the globe and continuously monitored from our network operations centre in London as well as from our back-up centre.

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.

GLOSSARY OF TERMS CONTINUED

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.

ICAO

International Civil Aviation Organization.

INMARSAT-3 ('1-3'), INMARSAT-4 ('1-4'), INMARSAT-5 ('1-5'), INMARSAT-6 ('1-6')

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

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 number of our products and services that we procure from other satellite network operators to complement our own spectrum.

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 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 Station is another term for a Ground Station.

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.

T

TÉLÉCOMS SANS FRONTIÈRES ('TSF')

The telecommunications relief aid organisation, it 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

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.

X

XPRESSLINK

XpressLink is a fully-integrated Ku-band and L-band service with VSAT and FleetBroadband terminals for maritime end-users.

ADDITIONAL INFORMATION

FIVE-YEAR SUMMARY

(\$ in millions)	2017	2016	2015	2014	2013
Revenues	1,400.2	1,329.0	1,274.1	1,285.9	1,261.9
EBITDA	731.5	794.8	726.0	701.0	648.8
EBITDA margin	52.2%	59.8%	57.0%	54.5%	51.4%
Profit before tax	229.8	299.2	338.0	342.3	189.1
Profit for year	182.3	243.4	282.0	341.1	102.6
Net cash inflow from operating activities	760.1	770.9	705.5	644.8	597.1
Net cash used in investing activities	(546.7)	(807.9)	(460.7)	(424.4)	(583.7)
Net cash used in financing activities	(328.6)	122.1	(275.2)	(156.4)	(204.5)
Total assets	4,959.5	4,843.3	4,246.1	4,091.9	3,868.8
Total liabilities	3,704.2	3,603.0	(2,996.2)	(2,908.8)	(2,821.0)
Shareholders' equity	1,255.3	1,240.3	1,249.9	1,183.1	1,047.8

Inmarsat Australia (formerly TC Comms) is included in the results from 8 May 2013
Globe Wireless is included in the results from 1 January 2014

FINANCIAL CALENDAR 2018

2 May	Annual General Meeting and Q1 2018 results
19 April	Ex-dividend date for 2017 final dividend
20 April	Record date for 2017 final dividend
25 May	2017 final dividend payment date
August	2018 interim results
October	2018 interim dividend payment
November	Q3 2018 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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