Management Discussion and Analysis:
Connect Bidco Limited Quarter 2 Results 2023

London, UK: August 29, 2023. Connect Bidco Limited ("Inmarsat", and together with its subsidiaries, the "Group") a world leader in global mobile satellite communications, today announces unaudited financial results for the second quarter and six months ended June 30, 2023.

All information herein is related to Inmarsat, which is part of the Viasat, Inc. group ("Viasat"), following the acquisition by Viasat of Connect Topco Limited, the parent company of Inmarsat, on May 30, 2023 (the "Viasat Transaction"). All references herein to "we," "us," "our," "Group" and "Company" refer to Inmarsat only and not to Viasat or any member of the wider Viasat group.

BASIS OF PREPARATION

This Management Discussion and Analysis is provided in accordance with the reporting requirements set out in our debt agreements. The financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act of 1933, other requirements of the Securities Exchange Commission ("SEC"), International Financial Reporting Standards ("IFRS"), or other generally accepted accounting principles. The accompanying financial statements have been prepared in accordance with IFRS, whereas Viasat's consolidated financial information is prepared in accordance with US GAAP, which differs from IFRS in a number of significant respects.

The information presented herein and in the accompanying financial statements may vary from the results for Inmarsat presented by Viasat, or included in the consolidated financial statements for Viasat because (i) of the differences between IFRS and US GAAP and associated audit standards, (ii) Purchase Price Accounting ("PPA") adjustments reflected in Viasat's consolidated financial statements as a result of the Viasat Transaction, (iii) the accompanying financial statements and associated disclosures contained herein are prepared at the level of Connect Bidco Limited, whereas results for Inmarsat, presented by Viasat, are prepared at the Connect Topco Limited level, and (iv) Viasat's consolidated financial statements for the quarter ended June 30, 2023 only include a one-month contribution from the Group for the period following the closing of the acquisition, on May 30, 2023. This Management Discussion and Analysis has been prepared solely to comply with the reporting requirements under our debt agreements, and the information set forth herein should not be considered to be a substitute for or supplement to Viasat's consolidated financial statements for the Viasat group prepared in accordance with US GAAP or the disclosures set forth in Viasat's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or other filings with the US Securities and Exchange Commission (the "SEC").

This Management Discussion and Analysis contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the US Securities Act of 1933 and the US Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we and the wider Viasat group operate and the beliefs and assumptions of management. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would," variations of such words and similar expressions to identify forward-looking statements. In addition, statements regarding our anticipated operations, financial position, liquidity, performance, prospects or growth and scale opportunities; projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; completion of in-orbit placement and in-orbit testing and commencement of commercial service of our satellites; the performance and anticipated benefits of our satellites; the expected completion, capacity, coverage, service speeds and other features of our satellites, and the timing, cost, economics and other benefits associated therewith; plans, objectives and strategies for future operations; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially include the factors identified in Viasat's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Viasat's other filings with the SEC. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

MANAGEMENT DISCUSSION AND ANALYSIS

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Group revenue	**398.7**	**363.4**	**801.3**	**711.4**
Government	132.2	127.4	275.0	252.9
Maritime	140.6	128.6	274.3	255.2
Aviation	91.0	79.2	184.2	147.9
Enterprise	31.3	24.8	60.5	48.2
Central services	3.6	3.4	7.3	7.2
EBITDA	**185.0**	**204.2**	**420.4**	**396.5**
Capital expenditure	**115.1**	**51.6**	**221.0**	**98.9**

Events after the period end

After the quarter end, Inmarsat confirmed that its I-6 F2 satellite suffered a power subsystem anomaly during its orbit raising phase. Inmarsat is working with the satellite's manufacturer to assess whether the satellite will be able to perform its mission. The manufacturing and launch costs of the satellite were insured, and the anomaly does not impact any ongoing customer services.

Results of Operations

The following table represents the selected results of operations of Inmarsat for the periods indicated.

Direct costs and indirect costs are alternative performance measures used by the directors of Inmarsat (the "Directors") and management to understand the underlying financial performance of the Group. Direct costs are defined as expenses that can be traced directly to the sale of a product or service. Indirect costs are those costs which are not directly attributable to a sale. The measures may be useful to stakeholders to allow them to understand the potential development of our cost profile in the future. Analysing costs as direct and indirect costs is how management internally review performance and make subsequent business decisions.

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Revenue excl. Ligado	**398.7**	**363.4**	**801.3**	**711.4**
Ligado revenue	-	-	-	-
Total revenue	**398.7**	**363.4**	**801.3**	**711.4**
Direct costs	(50.5)	(55.0)	(109.8)	(105.7)
Indirect costs	(128.3)	(98.4)	(208.2)	(199.1)
Costs associated with the Viasat Transaction	(34.9)	(5.8)	(62.9)	(10.1)
Total net operating costs	(213.7)	(159.2)	(380.9)	(314.9)
EBITDA*	**185.0**	**204.2**	**420.4**	**396.5**
Depreciation, amortisation and other costs	(152.0)	(148.7)	(299.6)	(301.8)
Operating profit	**33.0**	**55.5**	**120.8**	**94.7**
Net financing costs	(15.7)	(30.2)	(32.1)	(63.4)
Profit before tax	**17.3**	**25.3**	**88.7**	**31.3**
Taxation charge	(4.3)	(5.1)	(25.2)	(6.6)
Profit for the period	**13.0**	**20.2**	**63.5**	**24.7**

***** See page 12 for a reconciliation of EBITDA for total profit for the period, which we consider to be the most directly comparable IFRS financial measure.

Comparison of the quarter ended June 30, 2023 to the quarter ended June 30, 2022

The Group has continued to deliver strong growth across all business units with its 10th consecutive quarter of year-on-year Adjusted EBITDA growth.

Revenue

Total revenue for the quarter ended June 30, 2023 increased by $35.3m (9.7%), to $398.7m from $363.4m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 3.8% to $132.2m. US Government revenue increased by 10.7% to $95.5m following strong growth in Global Xpress (“GX”) usage, timing of contract milestones and additional equipment sales. Outside the US, revenue decreased by 10.7% to $36.7m, following lower operational tempo, high equipment sales in the prior period, partially offset by strong GX usage.
- **Maritime** revenue has continued to grow, increasing by 9.3% to $140.6m. This increase was driven primarily by legacy product price increases, continued strong growth of Fleet Xpress (“FX”) exceeding the decline of FleetBroadband (“FB”) and additional FX take-or-pay income with one major customer. This has been partially offset by higher equipment deliveries and associated revenues in 2022. FX vessels increased by 12% and FX average revenue per unit (“ARPU”) increased by 12%. FB vessels decreased by 15% as customers migrated to FX and other third party Very Small Aperture Terminals (“VSAT”) services and FB ARPU declined by 10% as migrations remained skewed to the higher value customers.
- **Aviation** revenue increased by 14.9% to $91.0m reflecting continued growth in Core business. Core Aviation revenue, comprising Business Aviation (“BGA”) and Aircraft Operations and Safety services (“AOS”), were 19.5% ($11.8m) higher than the corresponding period in 2022, reflecting 20% growth in BGA following increased activity and an increased number of JX aircraft by 20%. In Flight Connectivity (“IFC”) revenue was unchanged year-over-year following higher usage from more aircraft returning to service, and increased passenger usage, offset by higher equipment deliveries in 2022. The number of IFC active aircraft at the end of the quarter increased by 10% year-over-year.
- **Enterprise** revenue increased by 26.2% to $31.3m, driven by additional satellite phone handset sales and higher airtime from strong historical handset sales growth.

Direct costs

Direct costs for the quarter ended June 30, 2023 decreased by $4.5m, to $50.5m as compared to $55.0m for the corresponding period in 2022. The decrease was mainly driven by higher customer specific direct costs in prior period, bad debt recoveries from a specific customer in the current period, partially offset by the increased use of third party airtime, in support of revenue growth.

Indirect costs

Indirect costs for the quarter ended June 30, 2023 increased by $29.9m, to $128.3m as compared to $98.4m for the corresponding period in 2022. This was mainly driven by higher employee incentive costs, inflationary increases and increased costs in support of revenue growth.

Costs associated with the Viasat Transaction

Costs associated with the Viasat Transaction were $34.9m for the quarter ended June 30, 2023 mainly consisting of professional fees.

EBITDA

EBITDA for the quarter ended June 30, 2023 decreased by $19.2m (9.4%), to $185.0m as compared to $204.2m for the corresponding period in 2022, reflecting the factors discussed above.

Depreciation, amortisation and other costs

Depreciation, amortisation and other costs for the quarter ended June 30, 2023 increased by $3.3m to $152.0m as compared to $148.7m for the corresponding period in 2022. This increase was mainly attributable to the impact of depreciation on new infrastructure investments assets exceeding those that are now fully depreciated.

Operating profit

Operating profit for the quarter ended June 30, 2023 decreased by $22.5m, to $33.0m as compared to $55.5m for the corresponding period in 2022. This decrease was driven by the lower EBITDA and the increase in depreciation.

Net financing costs

Net financing costs for the quarter ended June 30, 2023 decreased by $14.5m, to $15.7m as compared $30.2m for the corresponding period in 2022. The decrease mainly relates to higher interest income on intergroup lending arising from the loans issued in support of the distribution to shareholders prior to the consummation of the Viasat Transaction and higher external interest income as a result of higher interest rates and higher amount held as short term investments. This was partially offset by higher interest expense on lease obligations arising from the recognition of new property leases during Q1 2023, predominately in relation to the new London office, and increased term loan interest from increasing USD LIBOR. The impact of increasing USD LIBOR is mitigated by an interest rate cap which provides protection when the USD LIBOR is above 2%.

Profit before tax

Profit before tax for the quarter ended June 30, 2023 decreased by $8.0m to $17.3m as compared to $25.3m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation charge

The taxation charge for the quarter ended June 30, 2023 decreased by $0.8m, to $4.3m as compared to $5.1m for the corresponding period in 2022. The effective tax rate for the quarter was 24.9%, compared to 20.2% for the corresponding period in 2022. The decrease is in line with the decrease in profit before tax, partially offset by the higher UK tax rate to a blended rate of 23.5% following the increase from 19% to 25% on April 1, 2023. The 2023 rate differs from the UK rate of 23.5% mainly due to costs associated with the Viasat Transaction being capital in nature and the apportionment of profits amongst overseas jurisdictions with differing tax rates, offset by a non-taxable FX gain, R&D and other tax incentives.

Profit for the period

Profit for the quarter ended June 30, 2023 is $13.0m as compared to $20.2m for the corresponding period in 2022, reflecting the factors discussed above.

Comparison of the six months ended June 30, 2023 to the six months ended June 30, 2022

Revenue

Total revenue for the six months ended June 30, 2023 increased by $89.9m (12.6%), to $801.3m from $711.4m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 8.7% to $275.0m. US Government revenue increased by 9.1% to $185.7m following strong growth in GX usage, timing of contract milestones and additional equipment sales. Outside the US, revenue increased by 8.0% to $89.3m, with additional equipment sales and growth in GX connections, partially offset by lower operational tempo.

- **Maritime** revenue has continued to grow, increasing by 7.5% to $274.3m. This increase was driven primarily by legacy product price increases and continued strong growth of FX exceeding the decline in FB. The increase in vessel numbers, as provided in the quarter-ended discussion, and increase in FX ARPU is offset by FB ARPU decline, following similar trends as discussed in the quarter-ended.
- **Aviation** revenue increased by 24.5% to $184.2m reflecting consistent growth in all businesses. Core Aviation revenue was 22.8% ($26.5m) higher than the corresponding period in 2022, following strong growth in both activity and the number of JX aircraft, following Covid-19 recovery. IFC revenue continued to improve with revenue increasing 30.8% ($9.8m) reflecting more aircraft returning to service, increased passenger usage and increased hardware sales.
- **Enterprise** revenue increased by 25.5% to $60.5m, driven primarily by additional satellite phone handset sales and higher airtime from strong historical handset sales.

Direct costs

Direct costs for the six months ended June 30, 2023 increased by $4.1m, to $109.8m as compared to $105.7m for the corresponding period in 2022. This was mainly driven by higher terminal costs, increased use of third party airtime and one off costs in the prior period.

Indirect costs

Indirect costs for the six months ended June 30, 2023 increased by $9.1m, to $208.2m as compared to $199.1m for the corresponding period in 2022. This is mainly driven by higher employee incentive costs, inflationary increases and increased costs in support of the revenue growth, partially offset by favourable currency movements which included a one-off foreign exchange gain relating to the provision held for the HMRC launch costs case ($27.6m).

Costs associated with the Viasat Transaction

Costs associated with the Viasat Transaction were $62.9m for the six months ended June 30, 2023.

EBITDA

EBITDA for the six months ended June 30, 2023 increased by $23.9m (6.0%), to $420.4m as compared to $396.5m for the corresponding period in 2022, reflecting the factors discussed above.

Depreciation, amortisation and other costs

Depreciation, amortisation and other costs for the six months ended June 30, 2023 decreased by $2.2m to $299.6m, as compared to $301.8m for the corresponding period in 2022. This decrease was mainly attributed to the timing as older assets are now fully depreciated while new assets under construction have not started depreciating (the impact of depreciation on new infrastructure investments assets only contributing in Q2), partially offset by higher share of profits in associated and losses on disposals of assets.

Operating profit

Operating profit for the six months ended June 30, 2023 increased by $26.1m, to $120.8m as compared to $94.7m for the corresponding period in 2022. This increase was driven primarily by the higher EBITDA and the reduction in depreciation, amortisation and other costs.

Net financing costs

Net financing costs for the six months ended June 30, 2023 decreased by $31.3m, to $32.1m as compared to $63.4m for the corresponding period in 2022. The decrease mainly related to higher interest income on intergroup lending arising from the loans issued to the Group's direct parent undertaking in support of the distributions to shareholders prior to the consummation of the Viasat Transaction and higher external interest income as a result of higher interest rates and higher amount held as short-term investments. This was partially offset by higher interest expense on lease obligations arising from the recognition of new property leases during Q1 2023, predominately in relation to the new London office, and increased term loan interest from increasing USD LIBOR. The impact of increasing USD LIBOR was mitigated by an interest rate cap which provided protection when the USD LIBOR is above 2%.

Profit before tax

Profit before tax for the six months ended June 30, 2023 increased by $57.4m to $88.7m as compared $31.3m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation charge

The taxation charge for the six months ended June 30, 2023 increased by $18.6m, to $25.2m as compared to $6.6m for the corresponding period in 2022. The effective tax rate for the six months ended June 30, 2023 was 28.4%, compared to 21.1% for the corresponding period in 2022. The increase is in line with the increase in profit before tax and the higher UK tax rate to a blended rate of 23.5% following the increase from 19% to 25% on April 1, 2023. The 2023 rate differs from the UK rate of 23.5% mainly due to costs associated with the Viasat Transaction being capital in nature and the apportionment of profits amongst overseas jurisdictions with differing tax rates, partially offset by a non-taxable FX gain, R&D and other tax incentives.

Profit for the period

Profit for the six months ended June 30, 2023 is $63.5m as compared to a profit of $24.7m for the corresponding period in 2022, reflecting the factors discussed above.

Balance Sheet

($ in millions)	**At June 30, 2023**	**At December 31, 2022**
Non-current assets	7,327.8	7,266.2
Current assets	743.1	754.4
Total assets	**8,070.9**	**8,020.6**
Current liabilities	1,482.6	1,562.0
Non-current liabilities	4,552.0	4,480.0
Total liabilities	**6,034.6**	**6,042.0**
Net assets	**2,036.3**	**1,978.6**

Non-current assets

Non-current assets at June 30, 2023 increased by $61.6m to $7,327.8m as compared to $7,266.2m at December 31, 2022. This was mainly driven by an increase in the right of use assets following the recognition of new property leases during Q1 2023, predominately in relation to the new London office, and an increase in the intercompany loan to the Group's direct parent undertaking following additional accrued interest, partially offset by a decrease in intangible assets following depreciation exceeding additions, and a decrease in the interest rate cap asset following a decrease in the long term market interest rates. The interest rate cap provided protection on Term Loan interest when the USD LIBOR is above 2%.

Current assets

Current assets at June 30, 2023 decreased by $11.3m to $743.1m as compared to $754.4m at December 31, 2022. This was mainly due to a decrease in cash and cash equivalents following the payment of the HMRC launch costs case settlement, partially offset by an increase to receivables from revenue growth, and increase in inventory on hand.

Current liabilities

Current liabilities at June 30, 2023 decreased by $79.4m to $1,482.6m as compared to $1,562.0m at December 31, 2022. This was mainly driven by a decrease in the current tax liability following the payment of HMRC launch costs case settlement, partially offset by an increase in deferred income following a receipt from Ligado and higher payroll related taxation following increased payroll payments relating to the acquisition during Q2 2023.

Non-current liabilities

Non-current liabilities at June 30, 2023 increased by $72.0m to $4,552.0m as compared to $4,480.0m at December 31, 2022. The increase was mainly driven by the recognition of new financial lease obligations relating to property leases, predominately in relation to the new London office.

Liquidity and Capital Resources

The following tables set out the cash flows for the periods indicated.

($ in millions)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Cash generated from operations[1]	206.3	187.1	372.8	337.8
Cash capital expenditure[2]	(115.1)	(51.6)	(221.0)	(98.9)
Net interest paid[3]	(92.7)	(90.5)	(136.1)	(110.5)
Other movements[4]	(11.5)	(15.0)	(88.7)	(23.8)
Free cash flow[7]	**(13.0)**	**30.0**	**(73.0)**	**104.6**
Dividends related to associates and NCI[1,5]	1.5	1.1	2.0	1.2
Acquisition of remaining shares in Inmarsat Iceland[6]	(1.7)	-	(1.7)	-
Net cash flow	**(13.2)**	**31.1**	**(72.7)**	**105.8**
Cash (invested in) / received from short-term deposits	(88.3)	-	(25.2)	30.0
Net repayment of borrowings	(4.4)	(4.4)	(8.8)	(8.8)
Issue of intergroup lending	-	(299.3)	-	(299.3)
Movement in cash and cash equivalents	**(105.9)**	**(272.6)**	**(106.7)**	**(172.3)**
Less: foreign exchange adjustment	2.1	0.6	1.1	0.4
Net increase in cash and cash equivalents	**(108.0)**	**(273.2)**	**(107.8)**	**(172.7)**

1. Cash generated from operations excludes “dividends related to associates and NCI” which is disclosed separately in the table above, however it is included in “cash generated from operations” within cash flow from operating activities within the cash flows statement on page 17.
2. Cash capital expenditure comprises “Purchase of property, plant and equipment”; “Additions to intangible assets” and “Own worked capitalised” as included in investing activities within the cash flow statement on page 17.
3. Net interest paid comprises “Interest received” included in cash flow from operating activities and “interest paid” and “other financing activities” included in cash flow from financing activities within the cash flow statement of page 17.
4. Other movements comprises “tax paid” included in cash flow from operating activities and “cash payments for the principal portion of lease obligations” included in cash flow from financing activities within the cash flow statement on page 17.
5. Non-controlling interest (“NCI”) refers to the Group’s 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..
6. During Q2 2023, the Group acquired the remaining shareholding in Inmarsat Solutions ehf. which resulted in a cash outflow of $1.7m to the previous shareholders.
7. See page 13 for a reconciliation of free cash flow to net cash from operating activities for the period, which we consider to be the most directly comparable IFRS financial measure.

($ in millions)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Cash and cash equivalents				
At beginning of the period	233.0	464.3	233.8	364.0
Net decrease in cash and cash equivalents	(108.0)	(273.2)	(107.8)	(172.7)
Foreign exchange adjustment	2.1	0.6	1.1	0.4
At end of the period	**127.1**	**191.7**	**127.1**	**191.7**
Short-term deposits				
At beginning of the period	46.0	-	30.0	30.0
Net increase / (decrease) in short-term deposits	88.3	-	104.3	(30.0)
At end of the period	**134.3**	**-**	**134.3**	**-**
Total cash, cash equivalents and short-term deposits	**261.4**	**191.7**	**261.4**	**191.7**
Opening net borrowings	**3,371.9**	**3,174.8**	**3,305.4**	**3,242.6**
Net cash flow	13.2	(31.1)	72.7	(105.8)
Other movements	7.8	306.4	14.8	313.3
Closing net borrowings	**3,392.9**	**3,450.1**	**3,392.9**	**3,450.1**

Comparison of the quarter ended June 30, 2023 to the quarter ended June 30, 2022

Cash generated from operations

Cash generated from operations for the quarter ended June 30, 2023 increased by $19.2m to $206.3m as compared to $187.1m for the corresponding period in 2022. This increase was mainly due by a working capital inflow mainly due to increases to trade and other payables driven by timing of payments partially offset by lower EBITDA performance in Q2 2023.

Cash capital expenditure

Cash capital expenditure for the quarter ended June 30, 2023 increased by $63.5m to $115.1m as compared to $51.6m for the corresponding period in 2022. This increase was driven mainly by the timing of contractual payments on major infrastructure investments. The cash capital expenditure table on page 11 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the quarter ended June 30, 2023 increased by $2.2m to $92.7m as compared to $90.5m for the corresponding period in 2022. This increase was mainly driven by higher interest on the term loan from increasing USD LIBOR, which is capped at 2% (see '*net financing costs*' section), partially offset by higher interest received from cash held on short-term deposit.

Other movements

Other movements for the quarter ended June 30, 2023 decreased by $3.5m to $11.5m as compared to $15.0m in the corresponding period in 2022. The decrease mainly relates to the timing of lease and taxation payments.

Dividends related to associates and NCI

Dividends of $1.5m were received for the quarter ended June 30, 2023 as compared to $1.1m for the corresponding period in 2022. The increase relates to the higher dividends received from associates.

Cash (invested in) / received from short-term deposits

Cash invested in short-term deposits for the quarter ended June 30, 2023 was $88.3m as compared to $nil in the corresponding period in 2022. In Q2 2023 short-term deposits were significantly increased following higher available cash balance. In Q2 2022, short-term deposits were withdrawn to $nil to support the Q2 2022 distribution to shareholders.

Net repayment of borrowings

Net repayment of borrowings for the quarter ended June 30, 2023 was $4.4m as compared to $4.4m for the corresponding period in 2022, which are both related to scheduled quarterly repayment of the term loan.

Issue of intergroup lending

Issue of intergroup lending for the quarter ended June 30, 2023 was $nil as compared to $299.3m issued for the corresponding period in 2022. In 2022, the intergroup lending was issued to the Group's direct parent undertaking, in support of the Q2 2022 distribution to shareholders.

Comparison of the six months ended June 30, 2023 to the six months ended June 30, 2022

Cash generated from operations

Cash generated from operations for the six months ended June 30, 2023 increased by $35.0m to $372.8m as compared to $337.8m for the corresponding period in 2022. This increase was primarily driven by improved EBITDA performance and working capital inflows mainly due to timing of supplier payments, partially offset mainly by higher non-cash movement which included a one-off foreign exchange gain relating to the provision held for the HMRC launch costs case ($26.7m).

Cash capital expenditure

Cash capital expenditure for the six months ended June 30, 2023 increased by $122.1m to $221.0m as compared to $98.9m for the corresponding period in 2022. This was driven mainly by the timing of contractual payments on major infrastructure investments. The cash capital expenditure table on page 11 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the six months ended June 30, 2023 increased by $25.6m to $136.1m as compared to $110.5m for the corresponding period in 2022. This increase was driven primarily by interest being paid in relation to the HMRC launch costs case settlement.

Other movements

Other movements for the six months ended June 30, 2023 increased by $64.9m to $88.7m as compared to $23.8m in the corresponding period in 2022. The increase was driven primarily by the tax settlement payment to HMRC in relation to the launch costs case.

Dividends related to associates and NCI

Dividends of $2.0m were received for the six months ended June 30, 2023 as compared to $1.2m for the corresponding period in 2022. The increase was related to the higher dividends received from associates during 2023, $2.5m, offset by $0.5m dividend paid to NCI.

Cash (invested in) / received from short-term deposits

Cash invested in short-term deposits for the six months ended June 30, 2023 was $25.2m as compared to $30.0m received from in the corresponding period in 2022. During the six months ended June 30, 2023 additional cash was invested in short-term deposits following available high balances, whereas during the corresponding period in 2022 $30.0m was withdrawn from short-term deposits to support the Q2 2022 distribution to shareholders.

Net repayment of borrowings

Net repayment of borrowings for the six months ended June 30, 2023 was $8.8m as compared to $8.8m for the corresponding period in 2022, which were both related to the scheduled quarterly repayment of our term loan.

Issue of intergroup lending

Issue of intergroup lending for the six months ended June 30, 2023 was $nil as compared to $299.3m issued for the corresponding period in 2022. In 2022, the intergroup lending was issued to the Group's direct parent undertaking, in support of the Q2 2022 distribution to shareholders.

Cash capital expenditure breakdown

Cash capital expenditure, which relates to tangible and intangible asset additions, includes capitalised labour costs and excludes capitalised interest, is set out in the following table.

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Major infrastructure projects[1]	60.8	31.6	101.0	49.0
Success-based capital expenditure[2]	15.1	15.4	29.8	27.5
Other capital expenditure[3]	36.3	17.3	70.8	35.5
Cash flow timing[4]	2.9	(12.7)	19.4	(13.1)
Total cash capital expenditure	**115.1**	**51.6**	**221.0**	**98.9**

1. Major infrastructure projects consists of satellite design, build and launch costs and ground network infrastructure costs.
2. Success-based capital expenditure consists of capital equipment installed on ships, aircraft and other customer platforms.
3. Other capital expenditure investment primarily includes infrastructure maintenance, IT and capitalised product and service development costs.
4. Cash flow timing represents the difference between accrued capital expenditures and the actual cash flows.

<u>Other Notable Developments</u>

Viasat Transaction

On November 8, 2021, Viasat, Inc. and the Group announced a definitive agreement under which Viasat would acquire Connect Topco Limited (the parent company of the Group) in a transaction then valued at $7.3bn, comprised of $850m in cash, approximately 46.36m shares of Viasat common stock valued at $3.1bn based on the closing price on Friday 5 November 2021, and the assumption of $3.4bn of net debt of the Group. The cash portion of the purchase price was reduced from $850m to $551m after Connect Topco Limited paid a $299m special dividend to its shareholders in April 2022.

On May 30, 2023, the Viasat Transaction was completed and Viasat, Inc. acquired all of the shares of Connect Topco Limited. Under the terms of the purchase agreement, at the closing of the transaction, Connect Topco Limited's shareholders received an aggregate of $551m in cash, subject to adjustments, and approximately 46.36m shares of common stock.

Ligado

On March 31, 2023, the Group and Ligado signed an amendment to the Ligado cooperation agreement pursuant to which we granted Ligado a further 90 days to pay the deferred amounts subject to making a $30m part payment, which was made on April 3, 2023. On June 15, 2023, the Group and Ligado signed a further amendment pursuant to which we agreed to defer the $350m payment due from Ligado on July 1, 2023 as well as the $15m March 2023 quarterly payment due on June 30, 2023 (as agreed in the preceding amendment) and the $15m quarterly payment due on June 30, 2023 until the earlier of (1) September 30, 2023 and (2) 45 days following notice from the Group in writing, such notice to be given no earlier than June 30, 2023.

Litigation

As part of normal operations, from time to time, the Group is subject to legal disputes with customers, suppliers and other third parties. We continuously monitor these disputes in order to manage and account for them appropriately.

I-4 F1 outage

On April 16, 2023, an 18-year-old satellite, I4-F1, suffered a permanent power anomaly. We have since recovered most services and as a permanent solution, we have accelerated our plan to transition I-4 L-Band services to our new I-6 satellite. The financial impact of this outage was immaterial, and we have been working closely with customers impacted.

Outlook

Cash capital expenditure (“cash capex”) is currently expected to be between $450m and $550m in 2023.

Inmarsat currently expects another year of growth in Revenue and EBITDA in 2023, excluding transaction and integration costs related to the Viasat Transaction.

Non-IFRS Financial Measures

This Management Discussion and Analysis and the accompanying presentation to bondholders include non-IFRS financial measures such as EBITDA, Adjusted EBITDA and free cash flow to supplement consolidated financial information presented on an IFRS basis. We believe Adjusted EBITDA, EBITDA and free cash flow are measures that are appropriate to enhance an overall understanding of our past financial performance or liquidity and prospects for the future. However, the presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS. Moreover, Viasat and Inmarsat calculate EBITDA and Adjusted EBITDA differently and therefore the two measures may not be comparable. A reconciliation between the non-IFRS financial information and the most comparable IFRS financial information is set forth below. You should not consider such items as an alternative to the historical financial position or results, or other indicators of our position or performance based on IFRS measures.

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS performance measure which we define as profit for the period before net financing costs, taxation, depreciation and amortisation, gains / losses on disposal of assets, impairment of assets and share of profit of associates. Adjusted EBITDA is defined as EBITDA adjusted to exclude EBITDA attributable to Ligado and costs associated with the Viasat Transaction and associated integration activities.

The following table reconciles EBITDA and Adjusted EBITDA to total profit for the period, which we consider to be the most directly comparable IFRS financial measure.

	Second Quarter		**First Half**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Profit for the period	**13.0**	**20.2**	**63.5**	**24.7**
Taxation charge	4.3	5.1	25.2	6.6
Net financing costs	15.7	30.2	32.1	63.4
Depreciation and amortisation	152.9	150.8	299.5	303.7
Impairment of assets	0.9	-	0.9	-
Loss on disposal of assets	0.5	0.5	3.2	0.8
Share of profit of associates	(2.3)	(2.6)	(4.0)	(2.7)
EBITDA	**185.0**	**204.2**	**420.4**	**396.5**
Attributable to Ligado	-	-	(4.5)	-
Cost associated with the Viasat Transaction	34.9	5.8	62.9	10.1
Viasat integration costs	6.2	-	6.2	-
Adjusted EBITDA	**226.1**	**210.0**	**485.0**	**406.6**

Free Cash Flow

Free cash flow is a non-IFRS performance measure which we define as net cash from operating activities for the period less purchase of property, plant and equipment, additions to intangible assets, own work capitalised, interest paid, other financing activities, cash payments for the principal portion of lease obligations, dividends paid related to NCI, and adjusted to exclude for dividends related to associates and NCI and foreign exchange adjustment which is included in cash generated from operations.

The following table reconciles free cash flow to net cash from operating activities for the period, which we consider to be the most directly comparable IFRS financial measure.

	Second Quarter		**First Half**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Net cash from operating activities	**199.9**	**177.8**	**295.1**	**322.3**
Purchase of property, plant and equipment	(78.9)	(32.6)	(154.4)	(61.6)
Additions to intangible assets	(24.5)	(10.6)	(43.4)	(21.1)
Own work capitalised	(11.7)	(8.4)	(23.2)	(16.2)
Interest paid	(94.1)	(90.4)	(140.3)	(110.6)
Other financing activities	(1.1)	(0.6)	(1.6)	(1.0)
Cash payments for the principal portion of lease obligations	(3.2)	(4.7)	(3.8)	(5.7)
Dividends paid related to NCI	-	-	(0.5)	(0.7)
Less: dividends related to associates and NCI	(1.5)	(1.1)	(2.0)	(1.2)
Less: foreign exchange adjustment	2.1	0.6	1.1	0.4
Free Cash flow	**(13.0)**	**30.0**	**(73.0)**	**104.6**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND HALF YEAR-ENDED June 30, 2023

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter and half year-ended June 30, 2023 (unaudited)

($ in millions)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Revenue	**398.7**	**363.4**	**801.3**	**711.4**
Employee benefit costs	(101.0)	(70.6)	(206.5)	(144.9)
Network and satellite operations costs	(44.5)	(44.4)	(89.3)	(91.9)
Reversal of impairment / (impairment) of financial assets	1.7	(3.1)	4.8	(2.0)
Other operating costs[1]	(83.8)	(50.2)	(118.2)	(93.6)
Own work capitalised	13.9	9.1	28.3	17.5
Total net operating costs	(213.7)	(159.2)	(380.9)	(314.9)
EBITDA	**185.0**	**204.2**	**420.4**	**396.5**
Depreciation and amortisation	(152.9)	(150.8)	(299.5)	(303.7)
Impairment of assets	(0.9)	-	(0.9)	-
Loss on disposals of assets	(0.5)	(0.5)	(3.2)	(0.8)
Share of profit of associates	2.3	2.6	4.0	2.7
Operating profit	**33.0**	**55.5**	**120.8**	**94.7**
Financing income	33.1	16.1	64.3	26.9
Financing costs	(48.8)	(46.3)	(96.4)	(90.3)
Net financing costs	(15.7)	(30.2)	(32.1)	(63.4)
Profit before tax	**17.3**	**25.3**	**88.7**	**31.3**
Taxation charge	(4.3)	(5.1)	(25.2)	(6.6)
Profit for the period	**13.0**	**20.2**	**63.5**	**24.7**
Attributable to:				
Equity holders	**13.0**	**20.0**	**63.3**	**24.4**
Non-controlling interest[2]	**-**	**0.2**	**0.2**	**0.3**

1. Other operating costs for first half-ended 2023 include foreign exchange gains of $23.0m (first half-ended 2022: $5.0m) and for Q2 2023 foreign losses of $3.0m (Q2 2023 foreign exchange gains: $3.4m)
2. Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter and half year-ended June 30, 2023 (unaudited)

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Profit for the period	**13.0**	**20.2**	**63.5**	**24.7**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	-	(0.1)	(0.4)	(0.1)
Gain / (loss) on interest rate cap	11.7	10.8	(4.4)	45.4
Tax (credit) / charged directly to equity	(2.9)	-	1.5	-
Other comprehensive income (loss) for the period, net of tax	**8.8**	**10.7**	**(3.3)**	**45.3**
Total comprehensive income for the period, net of tax	**21.8**	**30.9**	**60.2**	**70.0**
Attributable to:				
Equity holders	**21.8**	**30.7**	**60.0**	**69.7**
Non-controlling interest[1]	**-**	**0.2**	**0.2**	**0.3**

1. Non-controlling interest (“NCI”) refers to the Group’s 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2023

($ in millions)	As at June 30, 2023 (unaudited)	As at December 31, 2022 (audited)
Assets		
Non-current assets		
Property, plant and equipment	3,262.5	3,258.7
Intangible assets	2,697.8	2,757.5
Derivative financial instruments	26.1	38.0
Investments	29.9	28.4
Right of use assets	87.5	26.4
Lease receivable	0.3	0.4
Other receivables	1,187.8	1,122.2
Deferred tax asset	35.9	34.6
	7,327.8	**7,266.2**
Current assets		
Cash and cash equivalents	127.1	233.8
Short-term deposits	134.3	109.1
Trade and other receivables	351.9	304.9
Finance lease receivable	0.2	1.3
Inventories	74.0	57.2
Current tax assets	3.1	3.1
Derivative financial instruments	52.5	45.0
	743.1	**754.4**
Total assets	**8,070.9**	**8,020.6**
Liabilities		
Current liabilities		
Borrowings	17.5	17.5
Trade and other payables	1,359.7	1,354.4
Provisions	3.0	3.6
Current tax liabilities	92.2	176.6
Lease obligations	10.2	9.9
	1,482.6	**1,562.0**
Non-current liabilities		
Borrowings	3,636.8	3,630.8
Other payables	13.5	12.8
Provisions	3.2	3.7
Deferred tax liabilities	809.7	808.8
Lease obligations	88.8	23.9
	4,552.0	**4,480.0**
Total liabilities	**6,034.6**	**6,042.0**
Net assets	**2,036.3**	**1,978.6**
Shareholders' equity		
Ordinary shares	2,361.5	2,361.5
Other reserves	58.1	61.4
Retained earnings	(383.3)	(445.1)
Equity attributable to shareholders	**2,036.3**	**1,977.8**
Non-controlling interest[1]	**-**	**0.8**
Total equity	**2,036.3**	**1,978.6**

1. Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter and half year-ended June 30, 2023 (unaudited)

($ in millions)	Share capital	Hedge reserve	Other	Retained earnings	NCI[1]	Total
Balance at January 1, 2022	**2,361.5**	**4.0**	**(0.3)**	**(552.4)**	**0.9**	**1,813.7**
Dividend declared	-	-	-	-	(0.7)	(0.7)
Comprehensive Income:						
Profit for the period	-	-	-	24.4	0.3	24.7
OCI – before tax	-	45.4	(0.1)	-	-	45.3
OCI – tax	-	-	-	-	-	-
Balance at June 30, 2022	**2,361.5**	**49.4**	**(0.4)**	**(528.0)**	**0.5**	**1,883.0**
Balance at January 1, 2023	**2,361.5**	**61.8**	**(0.4)**	**(445.1)**	**0.8**	**1,978.6**
Dividend declared	-	-	-	-	(0.5)	(0.5)
Acquisition of remaining shares in Inmarsat Iceland	-	-	-	(1.5)	(0.5)	(2.0)
Comprehensive Income:						
Profit for the period	-	-	-	63.3	0.2	63.5
OCI – before tax	-	(4.4)	(0.4)	-	-	(4.8)
OCI – tax	-	1.5	-	-	-	1.5
Balance at March 31, 2023	**2,361.5**	**58.9**	**(0.8)**	**(383.3)**	**-**	**2,036.3**

1. Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the quarter and half year-ended June 30, 2023 (unaudited)

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash flow from operating activities				
Cash generated from operations[1]	207.8	188.2	375.3	339.7
Interest received	2.8	0.2	5.8	0.4
Tax paid	(10.7)	(10.6)	(86.0)	(17.8)
Net cash from operating activities	**199.9**	**177.8**	**295.1**	**322.3**
Cash flow from investing activities				
Purchase of property, plant and equipment	(78.9)	(32.6)	(154.4)	(61.6)
Additions to intangible assets	(24.5)	(10.6)	(43.4)	(21.1)
Own work capitalised	(11.7)	(8.4)	(23.2)	(16.2)
Acquisition of remaining shares in Inmarsat Iceland[2]	(1.7)	-	(1.7)	-
Net investment in short-term deposits	(88.3)	-	(25.2)	30.0
Issue of intergroup lending	-	(299.3)	-	(299.3)
Net cash used in investing activities	**(205.1)**	**(350.9)**	**(247.9)**	**(368.2)**
Cash flow from financing activities				
Dividends paid related to NCI[3]	-	-	(0.5)	(0.7)
Repayment of borrowings	(4.4)	(4.4)	(8.8)	(8.8)
Interest paid	(94.1)	(90.4)	(140.3)	(110.6)
Cash payments for the principal portion of lease obligations	(3.2)	(4.7)	(3.8)	(5.7)
Other financing activities	(1.1)	(0.6)	(1.6)	(1.0)
Net cash used in financing activities	**(102.8)**	**(100.1)**	**(155.0)**	**(126.8)**
Net decrease in cash and cash equivalents	**(108.0)**	**(273.2)**	**(107.8)**	**(172.7)**
Cash and cash equivalents				
At beginning of the period	233.0	464.3	233.8	364.0
Net decrease in cash and cash equivalents	(108.0)	(273.2)	(107.8)	(172.7)
Foreign exchange adjustment	2.1	0.6	1.1	0.4
At end of the period	**127.1**	**191.7**	**127.1**	**191.7**
Comprising:				
Cash at bank and in hand	103.8	96.6	103.8	96.6
Short-term deposits with original maturity of <3months	23.3	95.1	23.3	95.1
Cash and cash equivalents	**127.1**	**191.7**	**127.1**	**191.7**
Net cash and cash equivalents at end of period	**127.1**	**191.7**	**127.1**	**191.7**

1. Cash generated from operations includes dividends received from associates (Q2 2023 $1.5m, Q2 2022: $1.1m and first half-ended 2023: $2.5m, first half-ended 2022: $1.9m) which was historically reported within financing activities.
2. During Q2 2023, the Group acquired the remaining shareholding in Inmarsat Solutions ehf. which resulted in a cash outflow of $1.7m to the previous shareholders.
3. Non-controlling interest ("NCI") refers to the Group's 51% shareholding in Inmarsat Solutions ehf.. During Q2 2023 Inmarsat acquired the remaining shareholding in Inmarsat Solutions ehf..

1. GENERAL INFORMATION

Connect Bidco Limited (the "Company" or, together with its subsidiaries, the "Group") is a private company limited by shares incorporated in Guernsey. The address of its registered office is Redwood House, St Julian's Avenue, St Peter Port, GY1 1WA, Guernsey. Details of the nature of the Group is provided in note 3.

On May 30, 2023, Viasat, Inc. acquired Connect Topco Limited (the previous ultimate controlling party of the Group). Following the acquisition the ultimate controlling party of the Company is Viasat, Inc. which is an entity based in the United States. The Company's immediate parent company is Connect Midco Limited.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and Companies (Guernsey) Law, 2008. They were approved by the Company's board of directors (the "Board of Directors") on August 28, 2023.

The financial information presented in this Condensed Consolidated Interim Financial Statements does not constitute accounts as defined in Section 245 of the Companies (Guernsey) Law, 2008. The accounts for the year ended December 31, 2022 were approved by the Board of Directors on March 20, 2023. The appointed auditors (Deloitte LLP) have issued an unqualified report on this date. There were no matters drawn to attention by way of emphasis of matter.

Going concern

As at June 30, 2023, the Group had $961.4m of liquid resources (Cash and cash equivalents: $127.1m, short-term deposits: $134.3m and undrawn RCF: $700.0m) and a continued expectation that the Group will generate positive free cash flow and reduce leverage over the medium to long term. On November 8, 2021, the Company entered into an agreement whereby Viasat, Inc. agreed to purchase the Company for approximately $7.3bn. On May 30, 2023, Viasat, Inc. completed the acquisition of Connect Topco Limited which resulted in Viasat, Inc. acquiring control of the Group. The going concern assessment has been performed using the Group financial performance and position.

The directors of Inmarsat (the "Directors") have a reasonable expectation that the Group shall continue to operate as a going concern for the foreseeable future. Consequently, the Group continues to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements.

Basis of accounting

The functional and reporting currency of the Company and most of the Group's subsidiaries is the US Dollar, as the majority of receipts from operational transactions and borrowings are denominated in US Dollars. The same accounting policies and methods of computation are followed in the Condensed Consolidated Interim Financial Statements as in the most recent annual financial statements, at December 31, 2022.

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

3. SEGMENT INFORMATION

The Group has identified the provision of global mobile satellite communications services to customers around the world as the only operating segment. The Board of Directors review the Group's financial reporting on a consolidated basis and approves those proposals for the allocation of the Group's resources and have therefore been identified as the chief operating decision maker. The Group's revenue is categorised by four business units, namely:

- Maritime: focusing on worldwide commercial maritime services including safety services;
- Government: focusing on military and other government services to the U.S. and other international governments;
- Aviation: focusing on commercial aviation, business and general aviation; and providing operational and safety services to support both of these segments; and
- Enterprise: focusing on worldwide land-based Internet of Things, lease, broadband, and voice segments.

These four business units are supported by 'Central Services' which includes satellite operations, technology, corporate functions, backbone infrastructure, and any income that is not directly attributable to a business unit, such as Ligado.

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Government	132.2	127.4	275.0	252.9
Maritime	140.6	128.6	274.3	255.2
Aviation	91.0	79.2	184.2	147.9
Enterprise	31.3	24.8	60.5	48.2
Central services	3.6	3.4	7.3	7.2
Revenue	**398.7**	**363.4**	**801.3**	**711.4**

	Second Quarter		First Half	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash capital expenditure	**115.1**	**51.6**	**221.0**	**98.9**
Financing costs capitalised in the cost of qualifying assets	21.0	17.3	43.8	36.7
Cash flow timing	(2.9)	12.7	(19.4)	13.1
Total capital expenditure	**133.2**	**81.6**	**245.4**	**148.7**

4. TAXATION

The first half-ended interim period income tax charge is accrued based on the estimated average annual effective tax rate of 28.4% (2022: 21.1%). The average effective rate reflects, adjustments for non-deductible professional fees in relation to the Viasat acquisition (capital in nature), non-taxable FX gain, credits in relation to UK Patent Box and R&D claims, and adjustments for overseas tax rates differing from the 23.5% UK blended tax rate.

From time to time, the Group may be involved in disputes in relation to on-going tax matters where a tax authority adopts a different interpretation to our own. The Group's total tax provision of $23.7m (Q1 2023: $23.7m and Q4 2022: $129.4m) relates to management's judgement of the amount of tax payable in respect of on-going enquiries with tax authorities. The material decrease in the provision since Q4 2023 is due to the settlement of the launch costs case which is discussed below. The quantum and timing of any payment in relation to these matters remains uncertain but it is substantially provided for and the enquiries remain ongoing at this time.

The Group's Launch Costs case was heard by the Court of Appeal in June 2022 which ruled in favour of HMRC in July 2022. The Group subsequently appealed for the case to be heard at the Supreme Court and this was rejected on January 5, 2023. In accordance with accounting policies the Group had provided fully for the expected cost of c. $128m at historic exchange rates in accordance with IAS 12, comprising tax ($100m) and interest ($28m) at historic exchange rates. The actual settlement, which has been substantially settled in Q1 2023, was paid at the then prevailing exchange rate resulting an actual cost of c.$90.1m, resulting in a gain of $27.6m.

5. NET FINANCING COSTS

($ in millions)	Second Quarter 2023	Second Quarter 2022	First Half 2023	First Half 2022
Bank interest receivable and other interest	3.4	0.3	7.2	1.1
Intergroup lending interest receivable	29.7	15.8	57.1	25.8
Total financing income	**33.1**	**16.1**	**64.3**	**26.9**
Interest on Senior Notes and credit facilities	(59.4)	(55.1)	(118.5)	(109.9)
Amortisation of debt issue costs	(5.2)	(4.8)	(10.1)	(9.5)
Amortisation of term loan gain	(3.2)	(3.0)	(6.1)	(5.9)
Net interest on the net pension asset and post-employment liability	(0.4)	1.1	(0.8)	1.4
Interest on lease obligations	(1.6)	(0.4)	(3.2)	(0.8)
Other interest	-	(1.4)	(1.5)	(2.3)
Total financing costs	**(69.8)**	**(63.6)**	**(140.2)**	**(127.0)**
Less: Amounts capitalised in the cost of qualifying assets	21.0	17.3	43.8	36.7
Net financing costs	**(15.7)**	**(30.2)**	**(32.1)**	**(63.4)**

6. NET BORROWINGS

These balances are shown net of unamortised deferred finance costs as follows:

	At June 30, 2023 (unaudited)				**At December 31, 2022 (audited)**			
($ in millions)	**Amount**	**Unamortised term loan gain[1]**	**Deferred finance costs**	**Net balance**	**Amount**	**Unamortised term loan gain[1]**	**Deferred finance costs**	**Net balance**
Current borrowings								
Term loan	17.5	-	-	17.5	17.5	-	-	17.5
Total current borrowings	**17.5**	**-**	**-**	**17.5**	**17.5**	**-**	**-**	**17.5**
Non-current borrowings								
Senior Notes due 2026	2,075.0	-	(7.9)	2,067.1	2,075.0	-	(9.1)	2,065.9
Term loan	1,675.6	(47.8)	(58.1)	1,569.7	1,684.4	(53.8)	(65.7)	1,564.9
Total non-current borrowings	**3,750.6**	**(47.8)**	**(66.0)**	**3,636.8**	**3,759.4**	**(53.8)**	**(74.8)**	**3,630.8**
Total borrowings	**3,768.1**	**(47.8)**	**(66.0)**	**3,654.3**	**3,776.9**	**(53.8)**	**(74.8)**	**3,648.3**
Cash and cash equivalents	(127.1)	-	-	(127.1)	(233.8)	-	-	(233.8)
Short-term deposits	(134.3)	-	-	(134.3)	(109.1)	-	-	(109.1)
Net borrowings	**3,506.7**	**(47.8)**	**(66.0)**	**3,392.9**	**3,434.0**	**(53.8)**	**(74.8)**	**3,305.4**

1. Gain on term loan reprice for relates to a $76.4m IFRS-9 related gain, net of $28.6m amortisation, following repricing of the term loan during 2021.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's derivative financial instruments consist of an interest rate cap. The Group entered into interest rate cap agreements in February 2020 to hedge against the movements in the USD LIBOR.

The Group generally does not hedge foreign currency transactions. Where there is a material contract with a foreign currency exposure, a specific hedge to match the specific risk will be evaluated. At present the Group has no material hedges on foreign currency milestone payments.

The fair values and level of fair value on the hierarchy at the Balance Sheet date were:

($ in millions)	At June 30, 2023 (unaudited)	At December 31, 2022 (audited)
Financial assets		
Interest rate cap (Level 2)	78.6	83.0
Total derivative financial assets	**78.6**	**83.0**

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

The Directors consider that the carrying value of non-derivative financial assets and liabilities approximately equal to their fair values except for those items listed below:

	At June 30, 2023 (unaudited)		At December 30, 2022 (audited)	
($ in millions)	Carrying value[1]	Fair value	Carrying value[1]	Fair value
Financial liabilities				
Senior Notes due 2026	2,067.1	2,018.0	2,065.9	1,942.2
Term loan	1,587.2	1,735.6	1,582.4	1,760.2
Financial assets				
Related party loan	1,163.1	1,228.7	1,107.4	1,225.7

1. Gross of unamortised arrangement cost and gain on term loan reprice, net of amortisation.

8. CONTINGENT ASSETS AND LIABILITIES

In the ordinary course of business, the Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage and other sanctions. These matters are inherently difficult to quantify.

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and Management judgement.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. At June 30, 2023, the Group had no material contingent liabilities.

9. RELATED PARTY TRANSACTIONS & PRINCIPAL RISKS AND UNCERTAINTIES

Following the completion of the acquisition by Viasat, Inc., the Group had new related parties. At June 30, 2023, the transactions with the new related parties were immaterial. The Group's existing related parties had no material changes in the related party transactions nor principal risks and uncertainties as described in the 2022 Connect Bidco Annual Report.

10. EVENTS AFTER THE BALANCE SHEET DATE

After the quarter end, Inmarsat confirmed that its I-6 F2 satellite suffered a power subsystem anomaly during its orbit raising phase. Inmarsat is working with the satellite's manufacturer to assess whether the satellite will be able to perform its mission. The manufacturing and launch costs of the satellite were insured, and the anomaly does not impact any ongoing customer services.

APPENDIX 1: ALTERNATIVE PERFORMANCE MEASURES ("APMs")

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

APM	Description and reconciliation
1. Direct and indirect costs	Direct costs are defined as expenses that can be traced directly to the sale of a product or service. Indirect costs are those costs which are not directly attributable to a sale. The measures are useful to shareholders because it allows them to understand the potential development of our cost profile in the future. Direct and indirect costs have been reconciled to total net operating costs on page 2.
2. EBITDA and Adjusted EBITDA	EBITDA is defined as profit for the period before net financing costs, taxation, depreciation and amortisation, gains / losses on disposal of assets, impairment of assets, and share of profit of associates. It reflects how the effect of growing revenue and cost management deliver value for our shareholders. Adjusted EBITDA is defined as EBITDA adjusted to exclude costs associated with associated with the Viasat Transaction and associated integration activities. These measures have been reconciled to total profit for the period on page 12.
3. 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. Cash capital expenditure indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business. This has been reconciled to total capital expenditure within note 3.
4. Free cash flow	Free cash flow is a non-IFRS performance measure which we define as net cash from operating activities for the period less purchase of property, plant and equipment, additions to intangible assets, own work capitalised, interest paid, other financing activities, cash payments for the principal portion of lease obligations, dividends paid related to NCI, and adjusted to exclude for dividends related to associates and NCI and foreign exchange adjustment which is included in cash generated from operations. This measure has been reconciled to net cash from operating activities for the period on page 13.