Connect Bidco Limited Quarter 3 Results 2023

London, UK: November 10, 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 third quarter and nine months ended September 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

The 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, and (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. 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

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Group revenue	**398.0**	**367.0**	**1,199.3**	**1,078.4**
Government	141.5	132.1	416.5	385.0
Maritime	132.9	128.1	407.2	383.3
Aviation	92.9	77.7	277.1	225.6
Enterprise	26.5	25.2	87.0	73.4
Central services	4.2	3.9	11.5	11.1
EBITDA	**213.0**	**220.7**	**633.4**	**617.2**
Capital expenditure	**85.9**	**77.1**	**306.9**	**176.0**

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.

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Revenue excl. Ligado	**398.0**	**366.6**	**1,199.3**	**1,078.0**
Ligado revenue	-	0.4	-	0.4
Total revenue	**398.0**	**367.0**	**1,199.3**	**1,078.4**
Direct costs	(64.5)	(45.0)	(174.3)	(150.7)
Indirect costs	(105.3)	(93.9)	(307.3)	(293.0)
Costs associated with the Viasat Transaction and integration	(15.2)	(7.4)	(84.3)	(17.5)
Total net operating costs	(185.0)	(146.3)	(565.9)	(461.2)
EBITDA*	**213.0**	**220.7**	**633.4**	**617.2**
Depreciation, amortisation and other costs	(295.8)	(148.5)	(595.4)	(450.3)
Operating (loss) / profit	**(82.8)**	**72.2**	**38.0**	**166.9**
Net financing costs	(12.6)	(27.2)	(44.7)	(90.6)
(Loss) / profit before tax	**(95.4)**	**45.0**	**(6.7)**	**76.3**
Taxation income / (charge)	32.7	(8.1)	7.5	(14.7)
(Loss) / profit for the period	**(62.7)**	**36.9**	**0.8**	**61.6**

***** See page 11 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 September 30, 2023 to the quarter ended September 30, 2022

Revenue

Total revenue for the quarter ended September 30, 2023 increased by $31.0m (8.4%), to $398.0m from $367.0m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 7.1% to $141.5m. US Government revenue increased by 8.2% to $100.3m following higher equipment sales, timing of contract milestones and strong growth in Global Xpress ("GX") usage. Outside the US, revenue increased by 4.6% to $41.2m, following strong GX usage, offset by high equipment sales in the prior period.
- **Maritime** revenue continued to grow, increasing by 3.7% to $132.9m. This increase was primarily driven by legacy product price increases and continued strong growth of Fleet Xpress ("FX") exceeding the decline of FleetBroadband ("FB"). This has been partially offset by higher revenues from equipment sales in 2022. FX vessels increased by 8% and FX average revenue per unit ("ARPU") increased by 2%. 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 6% as migrations remained skewed to the higher value customers.
- **Aviation** revenue increased by 19.6% to $92.9m reflecting continued growth in our Core business. Core Aviation revenue, comprising Business Aviation ("BGA") and Aircraft Operations and Safety services ("AOS"), were 10.7% ($6.6m) higher than the corresponding period in 2022, reflecting 16.6% growth in BGA following increased activity and an increased number of JX aircraft by 17%, partially offset by lower AOS revenue reflecting higher usage at lower price on a new tiered contract for one customer. In Flight Connectivity ("IFC") revenue increased by 53.8% to $24.6m following higher usage from more aircraft returning to service, and increased passenger usage and higher equipment sales in Q3 2023. The number of IFC active aircraft at the end of the quarter increased by 11% year-over-year.
- **Enterprise** revenue increased by 5.2% to $26.5m, driven by additional satellite phone handset sales and higher airtime from strong historical handset sales.

Direct costs

Direct costs for the quarter ended September 30, 2023 increased by $19.5m, to $64.5m as compared to $45.0m for the corresponding period in 2022. The increase was mainly driven by higher purchases of third-party capacity in support of revenue growth and a higher hardware sales mix. The remaining increase was due to inventory provisions from higher inventory levels and an increase in bad debt expense, following high collections in the prior year.

Indirect costs

Indirect costs for the quarter ended September 30, 2023 increased by $11.4m, to $105.3m as compared to $93.9m for the corresponding period in 2022. This was mainly driven by higher employee costs from higher headcount in support of revenue growth and cost inflation, higher IT costs for improved data resilience, and other inflationary increases across the business.

Costs associated with the Viasat Transaction and integration

Costs associated with the Viasat Transaction and integration were $15.2m for the quarter ended September 30, 2023.

EBITDA

EBITDA for the quarter ended September 30, 2023 decreased by $7.7m (3.5%), to $213.0m as compared to $220.7m 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 September 30, 2023 increased by $147.3m to $295.8m as compared to $148.5m for the corresponding period in 2022. Depreciation and amortisation remained consistent with Q3 2022. Other costs included a net impairment of tangible assets of $143.0m in Q3 2023, following the impairment of the I-6 F2 satellite (as discussed on page 10). The full cost of the satellite has been impaired ($492.0m), partially offset by the recognition of $349.0m with respect to the related insurance claim, which is expected to be filed before year end.

Operating (loss) / profit

Operating loss for the quarter ended September 30, 2023 of $82.8m represents a reduction of $155.m from the operating profit of $72.2m for the corresponding period in 2022. The movement was driven primarily by the impairment charge discussed above.

Net financing costs

Net financing costs for the quarter ended September 30, 2023 decreased by $14.6m, to $12.6m as compared $27.2m 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 distributions to shareholders prior to the consummation of the Viasat Transaction and higher external interest income as a result of higher interest rates and larger amounts held as cash on deposit and 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 SOFR. The impact of increasing USD SOFR was mitigated by an interest rate cap which provided protection when the USD SOFR was above 2%.

(Loss) / profit before tax

Loss before tax for the quarter ended September 30, 2023 of $95.4m represents a reduction of $140.4m from the profit before tax of $45.0m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation income / (charge)

The taxation income for the quarter ended September 30, 2023 of $32.7m represents a reduction of $40.8m from the taxation charge of $8.1m for the corresponding period in 2022. The effective tax rate for the quarter was 34.3%, compared to 18% for the corresponding period in 2022. The 2023 rate differs from the UK rate of 23.5% mainly due to the higher non-deductible impairment charge, the 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.

Loss / (profit) for the period

Loss for the quarter ended September 30, 2023 was $62.7m as compared to a profit of $36.9m for the corresponding period in 2022, reflecting the factors discussed above.

Comparison of the nine months ended September 30, 2023 and the nine months ended September 30, 2022

Revenue

Total revenue for the nine months ended September 30, 2023 increased by $120.9m (11.2%), to $1,199.3m from $1,078.4m for the corresponding period in 2022.

Movements in revenue by business unit were as follows:

- **Government** revenue increased by 8.2% to $416.5m. US Government revenue increased by 8.8% to $286.0m following strong growth in GX usage, timing of contract milestones and additional equipment sales, partially offset by lower leasing revenue. Outside the US, revenue increased by 6.9% to $130.5m, with growth in GX connections and additional equipment sales, partially offset by lower operational tempo.
- **Maritime** revenue has continued to grow, increasing by 6.2% to $407.2m. This increase was primarily driven 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 was offset by FB ARPU decline, following similar trends as discussed in the quarter-ended.

- **Aviation** revenue increased by 22.8% to $277.1m reflecting consistent growth in all businesses. Core Aviation revenue was 18.6% ($33.1m) 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 38.5% ($18.4m) reflecting more aircraft returning to service, increased passenger usage and increased hardware sales.
- **Enterprise** revenue increased by 18.5% to $87.0m, driven primarily by additional satellite phone handset sales and higher airtime from strong historical handset sales.

Direct costs

Direct costs for the nine months ended September 30, 2023 increased by $23.6m, to $174.3m as compared to $150.7m 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 nine months ended September 30, 2023 increased by $14.3m, to $307.3m as compared to $293.0m for the corresponding period in 2022. This was mainly driven by higher employee incentive costs, inflationary increases and increased costs in support of the revenue growth, partially offset by favorable 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 and integration

Costs associated with the Viasat Transaction and integration were $84.3m for the nine months ended September 30, 2023.

EBITDA

EBITDA for the nine months ended September 30, 2023 increased by $16.2m (2.6%), to $633.4m as compared to $617.2m for the corresponding period in 2022, reflecting the factors discussed above.

Depreciation, amortisation and other costs

Depreciation, amortisation and other costs for the nine months ended September 30, 2023 increased by $145.1m to $595.4m, as compared to $450.3m for the corresponding period in 2022. This increase was mainly attributed to other costs which included a net impairment of tangible assets of $143.0m in Q3 2023, following the impairment of the I-6 F2 satellite (see quarter-end explanation above).

Operating (loss) / profit

Operating profit for the nine months ended September 30, 2023 decreased by $128.9m, to $38.0m as compared to $166.9m for the corresponding period in 2022. The decrease was driven by the impairment charge discussed above, partially offset by higher EBITDA.

Net financing costs

Net financing costs for the nine months ended September 30, 2023 decreased by $45.9m, to $44.7m as compared to $90.6m for the corresponding period in 2022. The decrease mainly relates 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 amounts held as cash on deposit and 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 / SOFR. The impact of increasing USD LIBOR / SOFR was mitigated by an interest rate cap which provided protection when the USD LIBOR / SOFR was above 2%.

(Loss) / profit before tax

Loss before tax for the nine months ended September 30, 2023 of $6.7m represents a reduction of $83.0m from the profit before tax of $76.3m for the corresponding period in 2022, reflecting the factors discussed above.

Taxation income / (charge)

The taxation income for the nine months ended September 30, 2023 of $7.5m represents a reduction of $22.2m from the taxation charge of $14.7m for the corresponding period in 2022. The effective tax rate for the nine months ended September 30, 2023 was 111.9%, compared to 19.3% for the corresponding period in 2022. The decrease is in line with the reduction 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 the higher non-deductible impairment charge, the 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.

Loss / (profit) for the period

Profit for the nine months ended September 30, 2023 was $0.8m as compared to a profit of $61.6m for the corresponding period in 2022, reflecting the factors discussed above.

Balance Sheet

($ in millions)	At September 30, 2023	At December 31, 2022
Non-current assets	6,817.5	7,266.2
Current assets	1,170.4	754.4
Total assets	**7,987.9**	**8,020.6**
Current liabilities	1,474.0	1,562.0
Non-current liabilities	4,545.1	4,480.0
Total liabilities	**6,019.1**	**6,042.0**
Net assets	**1,968.8**	**1,978.6**

Non-current assets

Non-current assets at September 30, 2023 decreased by $448.7m to $6,817.5m as compared to $7,266.2m at December 31, 2022. This decrease was mainly driven by a decrease in Property, plant and equipment following the I-6 F2 impairment (as discussed on page 10). The full cost of the satellite has been impaired ($492.0m), partially offset by the recognition of $349.0m with respect to the related insurance claim, which is expected to be filed before year end. As a result, a net impairment has been recognised in the quarter of $143.0m. Additionally, there were decreases in intangible assets following depreciation exceeding additions and 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 was above 2%. This was partially offset 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.

Current assets

Current assets at September 30, 2023 increased by $416.0m to $1,170.4m as compared to $754.4m at December 31, 2022. The increase was mainly due the recognition of the insurance recoveries receivable in relation to the I-6 F2 satellite impairment, an increase to receivables from revenue growth, and an increase in inventory on hand.

Current liabilities

Current liabilities at September 30, 2023 decreased by $88.0m to $1,474.0m 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 and trade payables following the timing of payments on inventory, capex, and professional fees, partially offset by an increase in deferred income following a receipt from Ligado and an increase in interest accruals as a result of the timing of Senior Note 2026 interest accruals which are paid during April and October.

Non-current liabilities

Non-current liabilities at September 30, 2023 increased by $65.1m to $4,545.1m 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.

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash generated from operations[1]	197.8	227.6	570.6	565.4
Cash capital expenditure[2]	(85.9)	(77.1)	(306.9)	(176.0)
Net interest paid[3]	(19.2)	(23.9)	(155.3)	(134.4)
Other movements[4]	(12.2)	(9.8)	(100.9)	(33.6)
Free cash flow[5]	**80.5**	**116.8**	**7.5**	**221.4**
Dividends related to associates and NCI[1,6]	1.2	1.0	3.2	2.2
Acquisition of remaining shares in Inmarsat Iceland[7]	-	-	(1.7)	-
Net cash flow	**81.7**	**117.8**	**9.0**	**223.6**
Cash (invested in) / received from short-term deposits	134.3	-	109.1	30.0
Net repayment of borrowings	(4.3)	(4.4)	(13.1)	(13.2)
Issue of intergroup lending	-	-	-	(299.3)
Movement in cash and cash equivalents	**211.7**	**113.4**	**105.0**	**(58.9)**
Less: foreign exchange adjustment	(1.9)	(2.2)	(0.8)	(1.8)
Net increase in cash and cash equivalents	**213.6**	**115.6**	**105.8**	**(57.1)**

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. Tax paid during the nine months ended September 30, 2023, included the settlement of the Group’s HMRC launch costs case of $69.1m.
5. See page 12 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.
6. 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.
7. 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.

($ in millions)	Third Quarter 2023	Third Quarter 2022	Nine Months 2023	Nine Months 2022
Cash and cash equivalents				
At beginning of the period	127.1	191.7	233.8	364.0
Net decrease in cash and cash equivalents	213.6	115.6	105.8	(57.1)
Foreign exchange adjustment	(1.9)	(2.2)	(0.8)	(1.8)
At end of the period	**338.8**	**305.1**	**338.8**	**305.1**
Short-term deposits				
At beginning of the period	134.3	-	109.1	30.0
Net increase / (decrease) in short-term deposits	(134.3)	-	(109.1)	(30.0)
At end of the period	**-**	**-**	**-**	**-**
Total cash, cash equivalents and short-term deposits	**338.8**	**305.1**	**338.8**	**305.1**
Opening net borrowings	**3,392.9**	**3,450.1**	**3,305.4**	**3,242.6**
Net cash flow	(81.7)	(117.8)	(9.0)	(223.6)
Other movements	8.4	7.5	23.2	320.8
Closing net borrowings	**3,319.6**	**3,339.8**	**3,319.6**	**3,339.8**

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

Cash generated from operations

Cash generated from operations for the quarter ended September 30, 2023 decreased by $29.8m to $197.8m as compared to $227.6m for the corresponding period in 2022. This decrease was mainly due by a working capital outflow primarily due to decreases to trade and other payables driven by timing of payments, as well as lower EBITDA performance in Q3 2023.

Cash capital expenditure

Cash capital expenditure for the quarter ended September 30, 2023 increased by $8.8m to $85.9m as compared to $77.1m 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 10 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the quarter ended September 30, 2023 decreased by $4.7m to $19.2m as compared to $23.9m for the corresponding period in 2022. This decrease was mainly driven by higher interest received from cash held on short-term deposit.

Other movements

Other movements for the quarter ended September 30, 2023 increased by $2.4m to $12.2m as compared to $9.8m 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 $1.2m were received for the quarter ended September 30, 2023 as compared to $1.0m for the corresponding period in 2022. The increase relates to the higher dividends received from associates.

Cash received from short-term deposits

Cash received from short-term deposits for the quarter ended September 30, 2023 was $134.3m as compared to $nil in the corresponding period in 2022. In Q3 2023 short-term deposits with maturity terms of greater than 90 days were withdrawn to $nil.

Net repayment of borrowings

Net repayment of borrowings for the quarter ended September 30, 2023 was $4.3m as compared to $4.4m for the corresponding period in 2022, which were both related to the scheduled quarterly repayment of the term loan.

Comparison of the nine months ended September 30, 2023 and the nine months ended September 30, 2022

Cash generated from operations

Cash generated from operations for the nine months ended September 30, 2023 increased by $5.2m to $570.6m as compared to $565.4m for the corresponding period in 2022. This increase was 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 nine months ended September 30, 2023 increased by $130.9m to $306.9m as compared to $176.0m 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 10 provides a more detailed breakdown for the period.

Net interest paid

Net interest paid for the nine months ended September 30, 2023 increased by $20.9m to $155.3m as compared to $134.4m for the corresponding period in 2022. This increase was primarily driven by interest being paid in relation to the HMRC launch costs case settlement.

Other movements

Other movements for the nine months ended September 30, 2023 increased by $67.3m to $100.9m as compared to $33.6m in the corresponding period in 2022. The increase was primarily driven by the tax settlement payment to HMRC in relation to the launch costs case.

Dividends related to associates and NCI

Dividends of $3.2m were received for the nine months ended September 30, 2023 as compared to $2.2m for the corresponding period in 2022. The increase was related to the higher dividends received from associates during 2023, $3.7m, offset by $0.5m dividend paid to NCI.

Cash received from short-term deposits

Cash received from short-term deposits for the nine months ended September 30, 2023 was $109.1m as compared to $30.0m received in the corresponding period in 2022. In Q3 2023 short-term deposits with a maturity terms of greater than 90 days were withdrawn to $nil.

Net repayment of borrowings

Net repayment of borrowings for the nine months ended September 30, 2023 was $13.1m as compared to $13.2m for the corresponding period in 2022, which were both related to the scheduled quarterly repayment of the term loan.

Issue of intergroup lending

Issue of intergroup lending for the nine months ended September 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.

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Major infrastructure projects[1]	17.1	31.3	118.1	80.3
Success-based capital expenditure[2]	11.8	14.7	41.6	42.2
Other capital expenditure[3]	55.4	27.9	126.2	63.4
Cash flow timing[4]	1.6	3.2	21.0	(9.9)
Total cash capital expenditure	**85.9**	**77.1**	**306.9**	**176.0**

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.

Other Notable Developments

Ligado

On September 21, 2023, the Group and Ligado signed an amendment to the Ligado cooperation agreement pursuant to which the Group agreed to defer (with interest) the $357.0m payment due on September 30, 2023, as well as the March, June and September 2023 quarterly payments, until October 20, 2023. On October 20, 2023, the Group and Ligado signed a further amendment pursuant to which the Group agreed to further defer (with interest) the $358.5m payment due on October 20, 2023, as well as the March, June and September 2023 quarterly payments, until November 10, 2023 in conjunction with a majority of Ligado's first lien debtholders agreeing to defer the payment of the first lien debt from November 1, 2023 to November 15, 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-6 F2

The I-6 F2 satellite suffered a power subsystem anomaly during its orbit raising phase, as well as permanent battery failure. The manufacturing and launch costs of the satellite were insured and the anomaly does not impact any ongoing customer services. The full cost of the satellite has been impaired ($492.0m, including $124m of capitalized interest), partially offset by recognition of $349.0m with respect to the related insurance claim, which is expected to be filed before year end. As a result, a net impairment has been recognised in the quarter of $143.0m.

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 EBITDA, Adjusted 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 loss / profit for the period, which we consider to be the most directly comparable IFRS financial measure.

	Third Quarter		**Nine Months**	
($ in millions)	**2023**	**2022**	**2023**	**2022**
(Loss) / profit for the period	**(62.7)**	**36.9**	**0.8**	**61.6**
Taxation (income) / charge	(32.7)	8.1	(7.5)	14.7
Net financing costs	12.6	27.2	44.7	90.6
Depreciation and amortisation	153.2	150.2	452.7	453.9
Impairment of assets	143.0	-	143.9	-
Loss on disposal of assets	-	0.3	3.2	1.1
Share of profit of associates	(0.4)	(2.0)	(4.4)	(4.7)
EBITDA	**213.0**	**220.7**	**633.4**	**617.2**
Attributable to Ligado	-	-	(4.5)	-
Cost associated with the Viasat Transaction	-	7.4	62.9	17.5
Viasat integration costs	15.2	-	21.4	-
Adjusted EBITDA	**228.2**	**228.1**	**713.2**	**634.7**

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.

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Net cash from operating activities	**199.4**	**224.8**	**494.5**	**547.1**
Purchase of property, plant and equipment	(55.2)	(41.2)	(209.6)	(102.8)
Additions to intangible assets	(20.4)	(26.5)	(63.8)	(47.6)
Own work capitalised	(10.3)	(9.4)	(33.5)	(25.6)
Interest paid	(25.0)	(24.9)	(165.3)	(135.5)
Other financing activities	0.2	(0.4)	(1.4)	(1.4)
Cash payments for the principal portion of lease obligations	(5.1)	(2.4)	(8.9)	(8.1)
Dividends paid related to NCI	-	-	(0.5)	(0.7)
Less: dividends related to associates and NCI	(1.2)	(1.0)	(3.2)	(2.2)
Less: foreign exchange adjustment	(1.9)	(2.2)	(0.8)	(1.8)
Free Cash flow	**80.5**	**116.8**	**7.5**	**221.4**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2023

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

For the quarter and nine months ended September 30, 2023 (unaudited)

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Revenue	**398.0**	**367.0**	**1,199.3**	**1,078.4**
Employee benefit costs	(96.4)	(78.2)	(302.9)	(223.1)
Network and satellite operations costs	(51.2)	(41.8)	(140.5)	(133.7)
Reversal of impairment / (impairment) of financial assets	(1.6)	1.2	3.2	(0.8)
Other operating costs[1]	(49.6)	(42.2)	(167.8)	(135.8)
Own work capitalised	13.8	14.7	42.1	32.2
Total net operating costs	(185.0)	(146.3)	(565.9)	(461.2)
EBITDA	**213.0**	**220.7**	**633.4**	**617.2**
Depreciation and amortisation	(153.2)	(150.2)	(452.7)	(453.9)
Impairment of assets [2]	(143.0)	-	(143.9)	-
Loss on disposals of assets	-	(0.3)	(3.2)	(1.1)
Share of profit of associates	0.4	2.0	4.4	4.7
Operating (loss) / profit	**(82.8)**	**72.2**	**38.0**	**166.9**
Financing income	35.5	21.3	99.8	48.2
Financing costs	(48.1)	(48.5)	(144.5)	(138.8)
Net financing costs	(12.6)	(27.2)	(44.7)	(90.6)
(Loss) / profit before tax	**(95.4)**	**45.0**	**(6.7)**	**76.3**
Taxation income / (charge)	32.7	(8.1)	7.5	(14.7)
(Loss) / profit for the period	**(62.7)**	**36.9**	**0.8**	**61.6**
Attributable to:				
Equity holders	**(62.7)**	**36.7**	**0.6**	**61.1**
Non-controlling interest[3]	**-**	**0.2**	**0.2**	**0.5**

1. Other operating costs for the nine months ended September 30, 2023 include foreign exchange gains of $26.8m (nine months ended September 30, 2022: $7.8m) and for Q3 2023 foreign gains of $3.8m (Q3 2022 foreign exchange gains: $2.8m).
2. Impairment of assets reflects the net impairment of the I-6 F2 satellite. A net impairment cost has been recognised in Q3 2023 of $143.0m.The full cost of the satellite ($492.0m) has been impaired, partially offset by the recognition of $349.0m with respect to the related insurance claim, which is expected to be filed before year end.
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.

CONNECT BIDCO LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter and nine months ended September 30, 2023 (unaudited)

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
(Loss) / profit for the period	**(62.7)**	**36.9**	**0.8**	**61.6**
Other comprehensive income				
Items that may be reclassified subsequently to the Income Statement:				
Foreign exchange translation differences	(0.1)	(0.1)	(0.5)	(0.2)
(Loss) / Gain on interest rate cap	(6.4)	34.9	(10.8)	80.3
Tax charged / (credit) directly to equity	1.7	-	3.2	-
Other comprehensive (loss) / income for the period, net of tax	**(4.8)**	**34.8**	**(8.1)**	**80.1**
Total comprehensive (loss) / income for the period, net of tax	**(67.5)**	**71.7**	**(7.3)**	**141.7**
Attributable to:				
Equity holders	**(67.5)**	**71.5**	**(7.5)**	**141.2**
Non-controlling interest[1]	**-**	**0.2**	**0.2**	**0.5**

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 September 30, 2023

($ in millions)	As at September 30, 2023 (unaudited)	As at December 31, 2022 (audited)
Assets		
Non-current assets		
Property, plant and equipment	2,767.5	3,258.7
Intangible assets	2,667.1	2,757.5
Derivative financial instruments	18.1	38.0
Investments	29.1	28.4
Right of use assets	83.9	26.4
Lease receivable	0.2	0.4
Other receivables	1,215.7	1,122.2
Deferred tax asset	35.9	34.6
	6,817.5	**7,266.2**
Current assets		
Cash and cash equivalents	338.8	233.8
Short-term deposits	-	109.1
Trade and other receivables	696.7	304.9
Finance lease receivable	0.2	1.3
Inventories	77.5	57.2
Current tax assets	3.1	3.1
Derivative financial instruments	54.1	45.0
	1,170.4	**754.4**
Total assets	**7,987.9**	**8,020.6**
Liabilities		
Current liabilities		
Borrowings	17.5	17.5
Trade and other payables	1,378.8	1,354.4
Provisions	8.9	3.6
Current tax liabilities	58.3	176.6
Lease obligations	10.5	9.9
	1,474.0	**1,562.0**
Non-current liabilities		
Borrowings	3,640.9	3,630.8
Other payables	13.3	12.8
Provisions	3.0	3.7
Deferred tax liabilities	804.0	808.8
Lease obligations	83.9	23.9
	4,545.1	**4,480.0**
Total liabilities	**6,019.1**	**6,042.0**
Net assets	**1,968.8**	**1,978.6**
Shareholders' equity		
Ordinary shares	2,361.5	2,361.5
Other reserves	53.3	61.4
Retained earnings	(446.0)	(445.1)
Equity attributable to shareholders	**1,968.8**	**1,977.8**
Non-controlling interest[1]	**-**	**0.8**
Total equity	**1,968.8**	**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 nine months ended September 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	-	-	-	61.1	0.5	61.6
OCI – before tax	-	80.3	(0.2)	-	-	80.1
OCI – tax	-	-	-	-	-	-
Balance at September 30, 2022	**2,361.5**	**84.3**	**(0.5)**	**(491.3)**	**0.7**	**1,954.7**
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	-	-	-	0.6	0.2	0.8
OCI – before tax	-	(10.8)	(0.5)	-	-	(11.3)
OCI – tax	-	3.2	-	-	-	3.2
Balance at September 31, 2023	**2,361.5**	**54.2**	**(0.9)**	**(446.0)**	**-**	**1,968.8**

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 CASH FLOW STATEMENT

For the quarter and nine months ended September 30, 2023 (unaudited)

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash flow from operating activities				
Cash generated from operations[1]	199.0	228.6	574.3	568.3
Interest received	4.6	1.0	10.4	1.4
Tax paid	(4.2)	(4.8)	(90.2)	(22.6)
Net cash from operating activities	**199.4**	**224.8**	**494.5**	**547.1**
Cash flow from investing activities				
Purchase of property, plant and equipment	(55.2)	(41.2)	(209.6)	(102.8)
Additions to intangible assets	(20.4)	(26.5)	(63.8)	(47.6)
Own work capitalised	(10.3)	(9.4)	(33.5)	(25.6)
Acquisition of remaining shares in Inmarsat Iceland[2]	-	-	(1.7)	-
Net investment in short-term deposits	134.3	-	109.1	30.0
Issue of intergroup lending	-	-	-	(299.3)
Net cash used in investing activities	**48.4**	**(77.1)**	**(199.5)**	**(445.3)**
Cash flow from financing activities				
Dividends paid related to NCI[3]	-	-	(0.5)	(0.7)
Repayment of borrowings	(4.3)	(4.4)	(13.1)	(13.2)
Interest paid	(25.0)	(24.9)	(165.3)	(135.5)
Cash payments for the principal portion of lease obligations	(5.1)	(2.4)	(8.9)	(8.1)
Other financing activities	0.2	(0.4)	(1.4)	(1.4)
Net cash used in financing activities	**(34.2)**	**(32.1)**	**(189.2)**	**(158.9)**
Net decrease in cash and cash equivalents	**213.6**	**115.6**	**105.8**	**(57.1)**
Cash and cash equivalents				
At beginning of the period	127.1	191.7	233.8	364.0
Net decrease in cash and cash equivalents	213.6	115.6	105.8	(57.1)
Foreign exchange adjustment	(1.9)	(2.2)	(0.8)	(1.8)
At end of the period	**338.8**	**305.1**	**338.8**	**305.1**
Comprising:				
Cash at bank and in hand	153.1	235.1	153.1	235.1
Short-term deposits with original maturity of <3months	185.7	70.0	185.7	70.0
Cash and cash equivalents	**338.8**	**305.1**	**338.8**	**305.1**
Net cash and cash equivalents at end of period	**338.8**	**305.1**	**338.8**	**305.1**

1. Cash generated from operations includes dividends received from associates (Q3 2023 $1.2m, Q3 2022: $1.0m and nine months ended September 30, 2023: $3.7m, nine months ended September 30, 2022: $2.9m) 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 nine months ended September 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 November 10, 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 September 30, 2023, the Group had $1,038.8m of liquid resources (Cash and cash equivalents: $338.8m, short-term deposits: $nil 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 reviews the Group's financial reporting on a consolidated basis and approves those proposals for the allocation of the Group's resources and has 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.

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Government	141.5	132.1	416.5	385.0
Maritime	132.9	128.1	407.2	383.3
Aviation	92.9	77.7	277.1	225.6
Enterprise	26.5	25.2	87.0	73.4
Central services	4.2	3.9	11.5	11.1
Revenue	**398.0**	**367.0**	**1,199.3**	**1,078.4**

	Third Quarter		Nine Months	
($ in millions)	**2023**	**2022**	**2023**	**2022**
Cash capital expenditure	**85.9**	**77.1**	**306.9**	**176.0**
Financing costs capitalised in the cost of qualifying assets	22.0	19.3	65.8	56.0
Cash flow timing	(1.6)	(3.2)	(21.0)	9.9
Total capital expenditure	**106.3**	**93.2**	**351.7**	**241.9**

4. TAXATION

The nine months ended interim period income tax charge is accrued based on the estimated average annual effective tax rate of 111.9% (2022: 19.3%). The average effective rate reflects adjustments for non-deductible impairment charges and 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 (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)	Third Quarter 2023	Third Quarter 2022	Nine Months 2023	Nine Months 2022
Bank interest receivable and other interest	4.2	1.6	11.4	2.7
Intergroup lending interest receivable	31.3	19.7	88.4	45.5
Total financing income	**35.5**	**21.3**	**99.8**	**48.2**
Interest on Senior Notes and credit facilities	(59.2)	(59.1)	(177.7)	(169.0)
Amortisation of debt issue costs	(5.9)	(5.1)	(16.0)	(14.6)
Amortisation of term loan gain	(3.2)	(3.0)	(9.3)	(8.9)
Net interest on the net pension asset and post-employment liability	0.3	1.1	(0.5)	2.5
Interest on lease obligations	(1.6)	(0.4)	(4.8)	(1.2)
Other interest	(0.5)	(1.3)	(2.0)	(3.6)
Total financing costs	**(70.1)**	**(67.8)**	**(210.3)**	**(194.8)**
Less: Amounts capitalised in the cost of qualifying assets	22.0	19.3	65.8	56.0
Net financing costs	**(12.6)**	**(27.2)**	**(44.7)**	**(90.6)**

6. NET BORROWINGS

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

	At September 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	-	(6.9)	2,068.1	2,075.0	-	(9.1)	2,065.9
Term loan	1,671.2	(44.5)	(53.9)	1,572.8	1,684.4	(53.8)	(65.7)	1,564.9
Total non-current borrowings	**3,746.2**	**(44.5)**	**(60.8)**	**3,640.9**	**3,759.4**	**(53.8)**	**(74.8)**	**3,630.8**
Total borrowings	**3,763.7**	**(44.5)**	**(60.8)**	**3,658.4**	**3,776.9**	**(53.8)**	**(74.8)**	**3,648.3**
Cash and cash equivalents	(338.8)	-	-	(338.8)	(233.8)	-	-	(233.8)
Short-term deposits	-	-	-	-	(109.1)	-	-	(109.1)
Net borrowings	**3,424.9**	**(44.5)**	**(60.8)**	**3,319.6**	**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 $31.9m 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 / SOFR.

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 September 30, 2023 (unaudited)	At December 31, 2022 (audited)
Financial assets		
Interest rate cap (Level 2)	72.2	83.0
Total derivative financial assets	**72.2**	**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 September 30, 2023 (unaudited)		At December 31, 2022 (audited)	
($ in millions)	**Carrying value[1]**	**Fair value**	**Carrying value[1]**	**Fair value**
Financial liabilities				
Senior Notes due 2026	2,068.1	1,936.5	2,065.9	1,942.2
Term loan	1,590.3	1,725.9	1,582.4	1,760.2
Financial assets				
Related party loan	1,194.2	1,290.3	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 September 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 September 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

There are no events after balance sheet date which would require disclosure in these Condensed Consolidated Interim Financial Statements.

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 EBITDA attributable to Ligado and 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 11.
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 12.

APPENDIX 2: LAST TWELVE-MONTH ADJUSTED EBITDA ("LTM RECONCILIATION")

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

A reconciliation for the twelve months ended September 30, 2023 and June 30, 2023 is as follows:

($ in millions)	**Twelve Months Ended September 30, 2023**	**Three Months Ended September 30, 2023**	**Three Months Ended June, 30 2023**	**Three Months Ended March 31, 2023**	**Three Months Ended December 31, 2022**
Profit / (Loss) for the Period	**44.4**	**(62.7)**	**13.0**	**50.5**	**43.6**
Taxation charge / (income)	**8.5**	(32.7)	4.3	20.9	16.0
Net financing costs	**69.5**	12.6	15.7	16.4	24.8
Depreciation and amortisation	**599.6**	153.2	152.9	146.6	146.9
Impairment loss	**144.4**	143.0	0.9	-	0.5
Loss on disposal of assets	**6.2**	-	0.5	2.7	3.0
Share of profit of associates	**(7.0)**	(0.4)	(2.3)	(1.7)	(2.6)
EBITDA	**865.6**	**213.0**	**185.0**	**235.4**	**232.2**
Attributable to Ligado	**(19.8)**	-	-	(4.5)	(15.3)
Cost associated with the Viasat Transaction	**68.2**	-	34.9	28.0	5.3
Viasat Integration Costs	**21.4**	15.2	6.2	-	-
Adjusted EBITDA	**935.4**	**228.2**	**226.1**	**258.9**	**222.2**

($ in millions)	**Twelve Months Ended June 30, 2023**	**Three Months Ended June, 30 2023**	**Three Months Ended March 31, 2023**	**Three Months Ended December 31, 2022**	**Three Months Ended September 30, 2022**
Profit for the Period	**144.0**	**13.0**	**50.5**	**43.6**	**36.9**
Taxation charge	**49.3**	4.3	20.9	16.0	8.1
Net financing costs	**84.1**	15.7	16.4	24.8	27.2
Depreciation and amortisation	**596.6**	152.9	146.6	146.9	150.2
Impairment loss	**1.4**	0.9	-	0.5	-
Loss on disposal of assets	**6.5**	0.5	2.7	3.0	0.3
Share of profit of associates	**(8.5)**	(2.3)	(1.7)	(2.5)	(2.0)
EBITDA	**873.4**	**185.0**	**235.4**	**232.3**	**220.7**
Attributable to Ligado	**(19.8)**	-	(4.5)	(15.3)	-
Cost associated with the Viasat Transaction	**73.9**	34.9	28.0	5.3	5.7
Viasat Integration Costs	**6.2**	6.2	-	-	-
Adjusted EBITDA	**933.7**	**226.1**	**258.9**	**222.3**	**226.4**