INMARSAT PLC

CONSOLIDATED INTERIM FINANCIAL RESULTS
For the half year ended 30 June 2005
(unaudited)

Forward-Looking Statements

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” or, in each case, their negative and words of similar meaning are forward-looking.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause our actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from our current expectations include those risk factors disclosed in our Initial Public Offering Prospectus as filed with the London Stock Exchange on 17 June 2005.

As a consequence, our current plans, anticipated actions and future financial condition, results of operations and cash flows, as well as the anticipated development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on our behalf.

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Operating and Financial Review

The following is a discussion of the consolidated results of operations and financial condition of Inmarsat plc (the "Company" or together with its subsidiaries, the "Group") for the half year ended 30 June 2005. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated interim financial results were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective at the time of this report.

Overview

Inmarsat is the leading provider of global mobile satellite communications services, providing data and voice connectivity to end-users worldwide. Headquartered in London, Inmarsat has more than twenty five years of experience in designing, launching and operating its satellite-based network. With a fleet of ten owned and operated geostationary satellites, we provide a wide range of data and voice services, including telephony, fax, video, email and high-speed intranet and internet access. The Group's revenues, operating profit and EBITDA under IFRS for the half year ended 30 June 2005 were $253.6 million, $122.1 million and $171.8 million, respectively.

We report our results of operations in US dollars as the majority of our revenues and our borrowings are denominated in US dollars. Our results have been affected by the higher exchange rates for sterling/dollar. Approximately 60% of our net operating costs are in sterling.

Initial Public Offering (IPO) and Admission to the London Stock Exchange

The Company successfully listed as a public company on the London Stock Exchange on 22 June 2005 raising approximately $670 million of gross primary proceeds on admission with the issue of 150 million shares at a nominal value of €0.0005 and a price of £2.45 per share. The company incurred approximately $33 million of underwriting and other associated costs. The ticker symbol for Inmarsat on London Stock Exchange is ISAT (LSE:ISAT).

Use of Proceeds and Debt Refinancing

The net proceeds raised in the Initial Public Offering were used to repay in full €272.7 million Subordinated Preference Certificates in June 2005. The remaining proceeds, in conjunction with surplus cash on the balance sheet at 22 June 2005 and a $250 million term loan under the New Senior Credit Facility, have been used to repay borrowings under the Previous Senior Credit Facility of $728.0 million. On 22 July 2005 we redeemed 35% of the 7 5/8 Senior Notes 2012 including accrued interest and redemption premium totalling $184.9 million. See 'Liquidity and capital resources'.

Successful transition of services to the new Inmarsat-4 satellite

The first of our Inmarsat-4 satellites, which was launched on 11 March 2005, is now supporting digital communications traffic in the Indian Ocean Region.

The Inmarsat-4 satellite was built by EADS Astrium, and is one of the largest and most sophisticated commercial communication satellites ever launched. Following its launch on an Atlas V rocket from Cape Canaveral, Florida, the satellite went through several weeks of complex manoeuvres and tests, including round-the-clock testing of the communications payload, propulsion, altitude control, and electrical, thermal and command systems. All tests were completed successfully, and the satellite was moved to its operational geostationary position at 64º East, over the Indian Ocean.

Revenues

Revenues for the half year 2005 were $253.6 million, an increase of $10.1 million, or 4%, compared with the half year 2004.

The table below sets out the components of our total revenue for each of the periods under review.

	Half year	
	2005	**2004**
Revenues	**(US$ in millions)**	
Maritime sector:		
voice services	52.0	53.8
data services	82.1	71.2
Total maritime sector	**134.1**	**125.0**
Land sector:		
voice services	12.4	14.7
data services	53.4	58.3
Total land sector	**65.8**	**73.0**
Aeronautical sector	10.6	8.0
Leasing (incl. navigation)	31.0	27.8
Total mobile satellite communications services	**241.5**	**233.8**
Subsidiary revenues	8.8	6.5
Other income	3.3	3.2
Total revenue	**253.6**	**243.5**

	Half year	
	2005	**2004**
Active terminals (1)	**(000's)**	
Maritime	118.3	105.4
Land	71.9	73.0
Aeronautical	6.4	5.9
Total active terminals	**196.6**	**184.3**

(1) Active terminals are terminals registered with us as at 30 June that have been used to access our services at any time during the preceding twelve-month period.

During the half year 2005, revenues from mobile satellite communication services were $241.5 million, an increase of $7.7 million, or 3%, compared with the half year 2004. The maritime, land, aeronautical and leasing sectors accounted for 56%, 27%, 4% and 13% of total revenues from mobile satellite communication services respectively during the half year 2005. Our revenues are impacted by volume discounts that increase over the course of the financial year. Lower discount levels in early quarters represent the minimum annual discount and in later quarters, as distribution partners meet specific volume thresholds and earn higher discounts, average prices for traffic are lower.

Maritime Sector. During the half year 2005, revenues from the maritime sector were $134.1 million, an increase of $9.1 million, or 7%, compared with the half year 2004. This principally reflects an increase in data revenue with a marginal decrease in voice. Revenues from data services in the maritime sector during the half year 2005 were $82.1 million, an increase of $10.9 million, or 15%, compared with the half year 2004. The increase in revenues from data services reflects greater demand, as a result of the take-up and utilisation of our Fleet services in the new-build market, and increased interest for our smaller terminals with lowspeed data capabilities such as mini-M. Revenues from voice services in the maritime sector during the half year 2005 were $52.0 million, a decrease of $1.8 million, or 3%, compared with the half year 2004. Historically our voice revenues for Maritime have been affected by the migration of users from our higher-priced analogue service to our lower priced digital services and in some cases competition. This has been offset by growth in both our newer Fleet service and various promotions we have initiated to respond to increased competition in certain of our established services.

Land Sector. During the half year 2005, revenues from the land sector were $65.8 million, a decrease of $7.2 million, or 10%, compared with the half year 2004. Revenues from data services in the land sector during the half year 2005 were $53.4 million, a decrease of $4.9 million, or 8%, compared to the half year 2004. The decrease is a result of the introduction of zonal pricing for our Regional Broadband Global Area Network (R-BGAN) service in addition to a decline in high speed data traffic following a reduction in traffic in the Middle East and competition from VSAT. Revenues from voice services in the land sector during the half year 2005 were $12.4 million, a decrease of $2.3 million, or 15.6%, compared to the half year 2004 as we continue to be affected by competition from handheld operators.

Aeronautical Sector. During the half year 2005, revenues from the aeronautical sector were $10.6 million, an increase of $2.6 million, or 33%, compared with the half year 2004. The increase continues to be attributed primarily to our popular Swift64 high-speed data service, which targets the government aircraft and business jet markets as well as being used by commercial airlines.

Leasing. During the half year 2005, revenues from leasing were $31.0 million, an increase of $3.2 million, or 12%, compared with the half year 2004. The increase principally resulted from a new 5-year interoperability agreement with the Japanese Civil Aviation Authority in May 2005 and primarily represents a license fee.

Subsidiary revenues. Subsidiary revenues represent revenues from Invsat Limited and Rydex Corporation Limited. Invsat Limited provides integrated communications networks and systems using VSATs (transportable terminals that access broadband services provided over satellite systems operating in the C-band and Ku-band radio frequencies), principally to end users in the oil and gas sector. Rydex Corporation Limited develops e-mail and data communications software tailored for use in the maritime sector. During the half year 2005, subsidiary revenues were $8.8 million, an increase of $2.3 million, or 35%, compared with the half year 2004. Invsat Limited has had more success in 2005 securing various systems integration contracts that were expected in 2004. The company is currently in discussion with potential buyers with a view to disposing of these subsidiaries in the near future.

Other income. Other income of $3.3 million for the half year 2005 consists primarily of income from the provision of conference facilities and leasing certain floors at our head office to external organisations, fees for satellite tracking services and in-orbit support services supplied to third parties and revenue from sales of R-BGAN end user terminals and is largely unchanged from the half year 2004.

Employee benefits costs

Employee benefits costs during the half year 2005 were $42.5 million, a decrease of $1.3 million, or 3% compared to the half year 2004. In April 2004, management conducted a review of business operations which led to a reduction in headcount of 64 staff positions across several of the Group's business activities. The amount charged for the half year 2004 was $6.9 million. The underlying increase in staff costs in 2005 relates to an adverse movement in our hedged rate of exchange which has increased from $1.49/£1.00 in 2004 to $1.77/£1.00 in 2005 (staff costs are in sterling and we report our results in US dollars). In addition the group has recognised $1.1 million of stock option costs relating to the all staff option scheme implemented in November 2004. The options vest over a period of approximately 18 months from July 2005 to December 2006.

Network and satellite operations costs

Network and satellite operations costs during the half year 2005 were $22.9 million compared to $24.7 million during the half year 2004. Included in this category are costs for leasing satellite capacity from Thuraya for our R-BGAN service. In 2005 we only incurred four months of costs as two months were offset by way of amounts received from third parties in recognition of the delay in delivery of the first of our Inmarsat-4 satellites. The decrease in Thuraya lease costs of $2.6 million was offset in part by the commencement of warranties and additional costs for site service contracts on our Inmarsat-4 ground infrastructure that were not incurred in 2004.

Effective from 31 July 2005 the Group terminated its agreement to lease capacity on the Thuraya satellite.

Other operating costs

During the half year 2005, other operating costs were $30.4 million, a decrease of $0.9 million, or 3%, compared with the half year 2004. In 2005 rental costs increased by $4.0 million (2004: $Nil) following the sale and leaseback of our 99 City Road, London headquarters. Offsetting this increase was a reduction in sponsorship costs associated with the FIA World Rally Championship ($3.4 million) and savings across a number of other cost categories following a cost reduction programme implemented in April 2004.

Operating costs during the half year 2005 reflect phasing of operating expenses, and management expect operating costs in the remainder of 2005 for marketing, professional fees and other office activities to increase, particulary as a result of the launch of BGAN.

Work performed by the Group and capitalised

The increase in own work capitalised of $2.3 million relates principally to increased activity surrounding our Inmarsat-4 satellites, one of which was successfully launched in March 2005.

EBITDA

As a result of the factors discussed above, EBITDA for the half year 2005 was $171.8 million, an increase of $16.4 million, or 11%, compared with the half year 2004. EBITDA margin has increased to 68% for the half year 2005 compared to 64% for the half year 2004.

Depreciation and amortisation

During the half year 2005, depreciation and amortisation was $49.7 million, a decrease of $20.5 million, or 29%, compared to the half year 2004. This decrease is a result of the change in useful economic lives of our Inmarsat-3 satellites from 10 years to 13 years, which came into effect from 1 October 2004.

In June 2005 we commenced depreciation on the first Inmarsat-4 satellite now in service. The satellite is being depreciated over 13 years. The remaining Inmarsat-4 satellites are yet to be placed in service therefore are currently not being depreciated. The depreciation cost for June 2005 for the first Inmarsat-4 satellite and other associated assets was approximately $2.9 million.

Operating profit

As a result of the factors discussed above, operating profit during the half year 2005 was $122.1 million, an increase of $36.9 million, or 43%, compared with the half year 2004 primarily as a result of an increase in revenues and a decrease in depreciation and amortization.

Net interest payable

Interest payable for the half year 2005 was $104.4 million, an increase of $21.3 million compared to half year 2004. This increase is attributable to the write-off of $19.9 million of deferred financing costs following the refinancing of the Previous Senior Credit Facility, the expensing of facility fees on the New Senior Credit Facility of $2.9 million and accreted interest on the November 2004 issued Senior Discount Notes of $15.8 million. Offsetting the increase in part was a $20.1 million decrease in interest on the Subordinated Preference Certificates following the redemption of approximately 50% of these certificates during 2004.

Interest receivable for the half year 2005 was $47.8 million, an increase of $20.6 million compared with the half year 2004. The increase relates to a $3.4 million realised gain on an interest rate swap contract on the Previous Senior Credit Facility and a realised foreign exchange gain on the repayment of euro Subordinated Preference Certificates of $39.3 million. See “Use of proceeds” and “Liquidity and capital resources”.

For the second half of the year the Group expects interest costs to reduce substantially following the restructuring of debt facilities. See “Liquidity and capital resources”.

Profit before income tax

During the half year 2005, profit before income tax was $65.5 million, an increase of $36.2 million compared with the half year 2004.

Income tax expense

The tax charge for the half year 2005 was $22.7 million, compared to $10.0 million for the half year 2004 and is based on management’s best estimates of the weighted average annual income tax rate expected for the full financial year. The increase in the tax charge is largely driven by an increase in profit. The increase in the effective tax charge between half year 2004 (34%) and 2005 (35%) is largely driven by permanent differences resulting from disallowable expenditures.

The Group’s tax profile is such that material cash tax payments are not expected in the foreseeable future as available capital allowances and deductions for interest charges are anticipated to be in excess of the accounting profits.

Liquidity and capital resources

Historically, our principal uses of cash have been for capital expenditure, to fund the development, marketing and distribution of new services and to fund our working capital requirements. Those requirements were met by cash flows from our operating activities as well as from borrowings under bank facilities and issuance of debt. Following the IPO on 22 June 2005 and the related transactions, our indebtedness and debt service obligations have decreased significantly.

The Group had net borrowings at 30 June, 2005 of $840.8 million primarily comprising drawings on the New Senior Credit Facility of $250.0 million, Senior Notes of $477.5 million, Senior Discount Notes of $315.9 million, offset by cash and cash equivalents and short-term deposits of $234.7 million. See Note 6 to the Interim Consolidated Financial Results.

On 24 May, 2005 the Group's subsidiary Inmarsat Investments Limited signed a new $550 million Senior Credit Facility led by Barclays Capital, ING Bank N.V. and The Royal Bank of Scotland plc. The facility is for general corporate purposes including refinancing existing debt, and was arranged in connection with the IPO.

The $550 million five-year Senior Credit Facility consists of a $250 million amortising term loan and a $300 million revolving credit facility. The term loan and drawings under the revolving credit facility are initially priced at 120bp above LIBOR and thereafter tied to a leverage grid. The $300 million revolving credit facility is undrawn at 30 June 2005.

The New Senior Credit Facility, in combination with existing surplus cash and the proceeds of the IPO, was used to repay the Previous Senior Credit Facility of $728.0 million, the outstanding balance of the euro-denominated Subordinated Preference Certificates (€272.7 million). In addition on 22 July, 2005 we redeemed 35% of the 7 5/8 Senior Notes 2012 including interest and redemption premium totalling $184.9 million.

Net cash from operating activities during the half year 2005 was $155.8 million compared to $123.5 million during the half year 2004. The increase relates to an increase in operating profit of $36.9 million, an increase of $8.3 million in interest income offset by changes in working capital. The Group held approximately $380.0 million on deposit during the period prior to the IPO resulting in cash income of $4.0 million in addition to a realised cash gain of $3.4 million on an interest rate swap contract which fixed interest on a portion of the drawn Previous Senior Credit Facility.

Net cash from investing activities during the half year 2005 was $63.4 million compared with net cash used in investing activities of $181.4 million for the half year 2004. During the half year 2005 the Group had an inflow from maturing short-term deposits of $151.0 million compared to an outflow of $74.6 million for the half year 2004. Offsetting the inflow in short-term deposits in 2005 was continued capital expenditure for the construction of our Inmarsat-4 satellites and associated ground infrastructure. In 2004 the group incurred $35.2 million of costs relating to the private equity transaction in 2003 in addition to $70.8 million in capital expenditure for Inmarsat-4 satellites and associated ground infrastructure.

Net cash used in financing activities during the half year 2005 was $217.3 million compared to $25.2 million during the half year 2004. On 22 June, 2005 the Company raised $652.3 million in net proceeds on its IPO. A combination of the IPO proceeds, surplus cash and the New Senior Credit Facility (as described above) were utilized to repay borrowings. A principal repayment of the Previous Senior Credit Facility was also made during the half year 2005 in the amount of $9.5 million. During the half year 2004 we repaid our bridge borrowings of $365.0 million and $98.1 million of the Subordinated Preference Certificates with proceeds from the Senior Notes issued of $480.1 million.

Seasonality

Our revenues for the first and last months of each year are impacted by changes in demand from end-users during the holiday season. In particular, revenues from data services tend to decline during the holiday season, reflecting reduced business activity. Historically, the impact of this seasonal decline in data services on our results of operations has been limited, as the decline has been substantially offset by increased voice traffic. However, as data revenues increase as a percentage of our total revenues, we expect the seasonal decline in the volumes may have a more pronounced effect on our first and fourth quarter results. The impact of volume discounts increases over the course of each financial year with lower discount levels in early quarters and higher discounts in later quarters. The effect of these volume discounts will be most pronounced in the fourth quarter.

Recent Events

On 31 May 2005 Graham Wrigley, Richard Wilson and David Preiss resigned as non-executive directors from the board of Inmarsat plc. On 22 June 2005 following admission of Inmarsat plc's shares to listing on the London Stock Exchange Admiral (ret) James Ellis, Stephen Davidson and Sir Bryan Carsberg were appointed as non-executive directors. Admiral (ret) Ellis is also a member of the Remuneration and Nomination Committees, Sir Bryan is a member of the Audit and Remuneration Committees and Mr Davidson is the chairman of the Remuneration Committee and a member of the Audit Committee.

Sir Bryan is currently Chairman of the Pensions Compensation Board and Chairman of the Council of Loughborough University. He is an independent, non-executive director of RM plc, SVB Holdings PLC and Philip Allan Publishers Ltd. He was the first Director General of Telecommunications (head of Oftel, the telecommunications regulator that preceded Ofcom) from 1984 to 1992, Director General of Fair Trading from 1992 to 1995 and Secretary General of the International Accounting Standards Committee (predecessor of the International Accounting Standards Board) from 1995 to 2001. He was an independent, non-executive director of Cable and Wireless Communications plc from 1997 to 2000 and non-executive Chairman of MLL Telecom Ltd from 1999 to 2002. Sir Bryan is a Fellow of the Institute of Chartered Accountants in England and Wales and an Honorary Fellow of the Institute of Actuaries; he was knighted in January 1989. He holds a M.Sc. (Econ) from the University of London (London School of Economics).

Admiral (ret) Ellis was formerly Commander, United States Strategic Command, headquartered at Offutt Air Force Base, Nebraska. He was responsible for the global command and control of US strategic forces while overseeing the employment and supporting the modernisation of the satellite communication network of the US Department of Defence. A graduate of the US Naval Academy in 1969, he was designated a naval aviator in 1971. He has held a variety of sea and shore assignments since then, including command of a Navy Strike fighter squadron, a nuclear aircraft carrier and a carrier battle group. Admiral (ret) Ellis also served as a test pilot, within the Navy Office of Legislative Affairs and as programme co-ordinator of the F/A-18 Hornet Aircraft. He served as Deputy Chief of Naval Operations, Plans, Policy and Operations from 1996 to 1998, prior to assignment as both Commander-in-Chief US Naval Forces, Europe and Commander-in-Chief, Allied Forces, Southern Europe, during a period of Balkan crisis. Admiral (ret) Ellis is currently the president and chief executive officer of the Institute of Nuclear Power Operations. He holds Masters Degrees in Aerospace Engineering from the Georgia Institute of Technology and Aeronautical Systems from the University of West Florida. He is a graduate of the Senior Officer Programme in National Security Strategy at Harvard University. Admiral (ret) Ellis also serves on the Board of Directors of Lockheed Martin Corporation, Level 3 Communications Inc. and America First Companies, LLC.

Mr Davidson is Chairman of SPG Media plc and is a non-executive director of The Wireless Group plc, Enteraction TV Ltd. and Williams Lea Group Ltd. He has held various positions in investment banking, most recently at West LB Panmure where he was Global Head of Media and Telecoms Investment Banking then Vice Chairman of Investment Banking. From 1992 to 1998 he was Finance Director then Chief Executive Officer of Telewest Communications plc. He was Chairman of the Cable Communications Association from 1996 to 1998. He holds an MA (first class) in Mathematics and Statistics from the University of Aberdeen.

John Rennocks who joined the board in January 2005 has subsequently been appointed as deputy chairman and senior non-executive director with effect from the IPO.

In July 2005 the Group successfully transferred R-BGAN customers to its Indian Ocean Region Inmarsat-4 satellite. As a result, effective from 31 July 2005, the Company has terminated its agreement to lease capacity on the Thuraya satellite.

On 22 July 2005 the Group redeemed 35% of its 7 5/8 Senior Notes 2012 reducing the Notes from $477.5 million to $310.4 million. Associated with the redemption we wrote off $6.1 million of deferred financing costs and paid a redemption premium of $12.7 million. These amounts will be reflected in interest costs in the income statement for the year ended 31 December 2005.

The Board intends to declare and pay an interim dividend of 5.47 cents (US dollars) per ordinary share on 28 October 2005 to ordinary shareholders on the Register at the close of business on 30 September 2005. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. This dividend has not been recognised as a liability for the half year 2005.

Subsequent to 30 June 2005 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial Results of the Group.

CONSOLIDATED INTERIM INCOME STATEMENT
For half year ended 30 June 2005
(unaudited)

	2005 Half year (unaudited)	2004 Half year (unaudited)
	(US$ in millions)	
Revenue	253.6	243.5
Employee benefits costs	(42.5)	(43.8)
Network and satellite operations costs	(22.9)	(24.7)
Other operating costs	(30.4)	(31.3)
Work performed by the Group and capitalised	14.0	11.7
EBITDA	171.8	155.4
Depreciation and amortisation	(49.7)	(70.2)
Operating profit	122.1	85.2
Interest receivable	47.8	27.2
Interest payable and similar charges	(104.4)	(83.1)
Net interest payable	(56.6)	(55.9)
Profit before income tax	65.5	29.3
Income tax expense	(22.7)	(10.0)
Profit for the period	42.8	19.3
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in US$ per share)		
— Basic	0.14	0.06
— Diluted	0.13	0.06

All of the above results relate to continuing operations.

CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE
For half year ended 30 June 2005 (unaudited)

	2005 Half year (unaudited)	2004 Half year (unaudited)
	(US$ in millions)	
Profit for the period	42.8	19.3
Movement in cumulative translation reserve	(0.3)	0.7
Movement in cash flow hedge reserve	(10.0)	-
Actuarial losses from pension and post retirement healthcare benefits	(0.6)	(1.1)
Income tax credit on actuarial losses	0.2	0.3
Total recognised income for the period	32.1	19.2

CONSOLIDATED INTERIM BALANCE SHEET
At 30 June 2005
(unaudited)

	2005 Half year (unaudited)	2004 Full year	2004 Half year (unaudited)
	(US$ in millions)		
ASSETS			
Non-current assets			
Property, plant and equipment	1,225.2	1,147.9	1,242.5
Intangible assets	509.2	508.1	504.7
Derivative financial instruments	3.0	—	—
	1,737.4	1,656.0	1,747.2
Current assets			
Cash and cash equivalents	234.0	233.0	150.8
Short-term deposits	0.7	151.7	127.4
Trade and other receivables	159.5	156.7	147.9
Inventories	1.2	1.2	1.2
Derivative financial instruments	1.4	—	—
	396.8	542.6	427.3
Total assets	2,134.2	2,198.6	2,174.5
LIABILITIES			
Current liabilities			
Trade and other payables	158.9	113.2	99.5
Borrowings	169.2	37.2	9.4
Provisions	0.5	1.1	3.0
Current income tax liabilities	7.4	16.0	9.2
Derivative financial instruments	0.5	—	—
	336.5	167.5	121.1
Non-current liabilities			
Other payables	7.1	35.2	57.3
Borrowings	906.3	1,824.5	1,818.5
Provisions	24.4	29.5	20.2
Deferred income tax liabilities	173.9	139.2	162.9
Derivative financial instruments	0.2	—	—
	1,111.9	2,028.4	2,058.9
Total liabilities	1,448.4	2,195.9	2,180.0
Net assets	685.8	2.7	(5.5)
SHAREHOLDERS' EQUITY			
Ordinary shares	0.4	0.3	0.3
Share premium	670.6	34.8	34.8
Other reserves	12.2	7.4	—
Retained earnings/(Accumulated losses)	2.6	(39.8)	(40.6)
Total shareholders' equity	685.8	2.7	(5.5)

INMARSAT PLC

CONSOLIDATED INTERIM CASH FLOW STATEMENT
For half year ended 30 June 2005
(unaudited)

	2005 Half year (unaudited)	2004 Half year (unaudited)
	(US$ in millions)	
Cash flow from operating activities:		
Cash generated from operations	147.0	121.6
Interest received	8.9	0.6
Income taxes (paid)/received	(0.1)	1.3
Net cash inflow from operating activities	**155.8**	**123.5**
Cash flow from investing activities:		
Origination of short-term deposits	151.0	(74.6)
Purchase of property, plant and equipment	(87.6)	(70.8)
Investment in parent company shares	—	(0.8)
Transaction costs on acquisitions made in 2003	—	(35.2)
Net cash from/(used) in investing activities	**63.4**	**(181.4)**
Cash flow from financing activities:		
Net proceeds from issue of ordinary shares	652.3	0.6
Net proceeds of New Senior Credit Facility	244.8	—
Repayments of Previous Senior Credit Facilities	(737.5)	(365.0)
Net proceeds from issuance of Senior Notes	(0.8)	461.3
Repayment of Subordinated Preference Certificates	(334.6)	(98.1)
Finance lease interest paid	(0.2)	(0.2)
Interest paid on Senior Notes and Facilities	(41.3)	(23.8)
Net cash used in financing activities	**(217.3)**	**(25.2)**
Foreign exchange adjustment	0.2	0.3
Net increase/(decrease) in cash and cash equivalents	**2.1**	**(82.8)**
Movement in cash and cash equivalents:		
At beginning of year	231.6	231.9
Net increase/(decrease) in cash and cash equivalents	2.1	(82.8)
As reported on balance sheet (net of bank overdrafts)	**233.7**	**149.1**
At end of period, comprising:		
Cash and cash equivalents per the balance sheet	234.0	150.8
Bank overdrafts	(0.3)	(1.7)
	233.7	**149.1**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL RESULTS

1. General Information

The Company was incorporated on 3 September 2003 as Duchessgrove Limited and changed its name to Inmarsat Group Holdings Limited on 10 February 2004. The Company was reregistered as a public limited company and changed its name to Inmarsat plc on 27 May 2005. The Company is incorporated and domiciled in England and Wales.

The address of its registered office is 99 City Road, London, United Kingdom.

The Company listed on the London Stock Exchange on 22 June, 2005.

These unaudited consolidated interim financial results have been approved for issue by the Board of Directors on 22 August 2005.

2. Principal accounting policies

Basis of preparation

Prior to 2005, the Group prepared its audited annual financial statements and unaudited quarterly results under UK Generally Accepted Accounting Principles (UK GAAP). From 1 January 2005, the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and implemented in the UK. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005 are not known with certainty at the time of preparing these interim consolidated financial results.

These interim financial results have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

The unaudited Group results for the half year 2005 have been prepared on a basis consistent with the IFRS accounting policies as set out on pages 6 to 13 of the Consolidated Financial Statements for the year to 31 December 2004 as available on our website www.inmarsat.com/about_us/investor_relations/financial_reports/2004_Inmarsat_plc_(IFRS). The applied IFRS accounting policies were selected by management considering all applicable IFRS's issued by the International Accounting Standards Board (IASB). The policies comply with the amendment to IAS 19 'Employee Benefits – Actuarial Gain and Losses, Group Plans and Disclosures' that was published in December 2004 which the Group expects to adopt in its financials statements for the year to 31 December 2005. The applied accounting policies are also based on the Group's expectation of adopting IFRS 5 'Non current Assets Held for Sale and Discontinued Operations' from 1 January 2005. Under IFRS 5 Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. We have assessed the impact of IFRS 5 in light of the fact that we are in discussion with potential buyers with a view to disposing of our subsidiaries Invsat Limited and Rydex Corporation Limited in the near future. As these are both immaterial to the overall Group results we have not presented the results of these separately. IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 32 'Financial Instruments: Disclosure and Presentation' have not been applied to the six months ended 30 June 2004 or the year ended 31 December 2004 because the Group has taken a transitional exemption and adopted those standards prospectively from 1 January 2005. See Note 7 for impact of IAS 39 on transitional balance sheet for 1 January 2005. It should be noted that these policies may be subject to revision to reflect further IFRS standards, interpretations and pronouncements.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, these results ultimately may differ from those estimates.

The functional currency of the Company and most of the Group's subsidiaries and the presentation currency is the US dollar, as the majority of operational transactions are denominated in US dollars.

3. Segment information

The Group operates in one business segment the supply of mobile satellite communications services (MSS). Other mainly comprises the results of subsidiaries, Invsat and Rydex.

Primary reporting format—Business segments

	2005 Half year (unaudited)					2004 Half year (unaudited)				
	MSS	Other	Unallocated	Elimination	Total	MSS	Other	Unallocated	Elimination	Total
					(US$ in millions)					
Revenue	241.5	12.1	-	-	253.6	233.8	9.7	-	-	243.5
Segment result (operating profit)	120.9	1.2	-	-	122.1	84.9	0.3	-	-	85.2
Net interest charged to the income statement	-	-	(56.6)	-	(56.6)	-	-	(55.9)	-	(55.9)
Profit before income tax					65.5					29.3
Income tax expense					(22.7)					(10.0)
Profit for the year					42.8					19.3
Segment assets	1,889.1	15.4	234.0	(4.3)	2,134.2	2,013.8	15.6	150.8	(5.7)	2,174.5
Segment liabilities	(193.5)	(4.5)	(1,250.4)	-	(1,448.4)	(184.5)	(3.6)	(1,991.9)	-	(2,180.0)
Capital expenditure	140.8	-	-	-	140.8	95.7	-	-	-	95.7
Depreciation	37.1	0.5	-	-	37.6	56.9	0.5	-	-	57.4
Amortisation of intangible assets	12.1	-	-	-	12.1	12.8	-	-	-	12.8

4. Net interest payable

	2005 Half year (unaudited)	2004 Half year (unaudited)
	(US$ in millions)	
Interest and facility fees payable on bank loans and overdrafts	(0.6)	(0.1)
Interest on Senior Notes and Senior Credit Facilities	(39.3)	(33.5)
Accretion of discount on the Senior Discount Notes	(15.8)	-
Interest rate swap	(1.4)	(5.5)
Other interest payable	(0.2)	(0.2)
Accretion of discount on the principal of Subordinated Preference Certificates	(19.6)	(39.7)
Amortisation of debt issue costs	(6.5)	(2.8)
Unwinding of discount on deferred satellite liabilities	(1.1)	(1.3)
Previous Senior Credit Facility deferred debt issue costs written off	(19.9)	-
Total interest payable and similar charges	(104.4)	(83.1)
Bank interest receivable and other interest	5.1	1.2
Currency gain on repayment of Subordinated Preference Certificates	39.3	26.0
Realised gain on amendment to interest rate swap	3.4	-
Total interest receivable and similar income	47.8	27.2
Net interest payable	(56.6)	(55.9)

5. Reconciliation of movements in shareholders equity

	Ordinary share capital	Share premium account	Other reserves	Retained profits (Accumulated losses)	Total
			(US$ in millions)		
Balance at 1 January 2004	0.3	34.2	—	(59.1)	(24.6)
Issue of share capital	—	0.6	—	—	0.6
Profit for the period	—	—	—	19.3	19.3
Shares issued to the employee benefit trust	—	—	(0.7)	—	(0.7)
Movement in cumulative translation reserve	—	—	0.7	—	0.7
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	—	—	—	(0.8)	(0.8)
Balance at 30 June 2004	0.3	34.8	—	(40.6)	(5.5)
Profit for the period	—	—	—	4.0	4.0
Issue of stock options	—	—	0.1	—	0.1
Movement in cumulative translation reserve	—	—	7.3	—	7.3
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	—	—	—	(3.2)	(3.2)
Balance of 31 December 2004 (as reported)	0.3	34.8	7.4	(39.8)	2.7
Adoption of IAS 39	—	—	14.0	—	14.0
Balance of 1 January 2005 (as restated)	0.3	34.8	21.4	(39.8)	16.7
Fair value gains/(losses), net of tax:					
- cash flow hedges	—	—	(10.0)	—	(10.0)
Issue of ordinary share capital	0.1	—	—	—	0.1
Issue of share premium	—	635.8	—	—	635.8
Issue of stock options	—	—	1.1	—	1.1
Profit for the period	—	—	—	42.8	42.8
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	—	—	—	(0.4)	(0.4)
Movement in cumulative translation reserve	—	—	(0.3)	—	(0.3)
Balance at 30 June 2005	0.4	670.6	12.2	2.6	685.8

6. Net borrowings

These balances are shown net of un-amortised deferred finance costs, which have been allocated as follows:

	As at 30 June 2005 (unaudited)			As at 31 December 2004			As at 30 June 2004 (unaudited)		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
				(US$ in millions)					
Current:									
Bank overdraft	0.3	-	0.3	1.4	-	1.4	1.7	-	1.7
Obligations under finance leases	-	-	-	0.1	-	0.1	0.1	-	0.1
Deferred satellite payments	7.9	-	7.9	8.0	-	8.0	7.6	-	7.6
Current portion - Senior Notes	167.1	(6.1)	161.0	-	-	-	-	-	-
Current portion – Previous Senior Credit Facility	-	-	-	27.7	-	27.7	-	-	-
Total current borrowings	**175.3**	**(6.1)**	**169.2**	**37.2**	**-**	**37.2**	**9.4**	**-**	**9.4**
Non-current:									
Previous Senior Credit Facility	-	-	-	709.9	(21.7)	688.2	800.0	(24.5)	775.5
New Senior Credit Facility	250.0	(2.7)	247.3	-	-	-	-	-	-
Senior Discount Notes, 10.375%	315.9	(9.2)	306.7	301.0	(9.7)	291.3	-	-	-
—Accretion of discount on the principal	4.2	-	4.2	3.2	-	3.2	-	-	-
Senior Notes	310.4	(11.5)	298.9	477.5	(18.9)	458.6	477.5	(18.8)	458.7
Premium on Senior Notes	2.2	-	2.2	2.4	-	2.4	2.6	-	2.6
Subordinated Preference Certificates	-	-	-	348.5	-	348.5	547.4	-	547.4
Deferred satellite payments	47.0	-	47.0	32.3	-	32.3	34.3	-	34.3
Total non-current borrowings	**929.7**	**(23.4)**	**906.3**	**1,874.8**	**(50.3)**	**1,824.5**	**1,861.8**	**(43.3)**	**1,818.5**
Total Borrowings	**1,105.0**	**(29.5)**	**1,075.5**	**1,912.0**	**(50.3)**	**1,861.7**	**1,871.2**	**(43.3)**	**1,827.9**
Cash and cash equivalents	**(234.0)**	**-**	**(234.0)**	**(233.0)**	**-**	**(233.0)**	**(150.8)**	**-**	**(150.8)**
Short-term deposits	**(0.7)**	**-**	**(0.7)**	**(151.7)**	**-**	**(151.7)**	**(127.4)**	**-**	**(127.4)**
Net Borrowings	**870.3**	**(29.5)**	**840.8**	**1,527.3**	**(50.3)**	**1,477.0**	**1,593.0**	**(43.3)**	**1,549.7**

7. IAS 32 and IAS 39 transition balance sheet

The Group adopted IAS 32 'Financial Instruments: presentation and disclosure' and IAS 39 'Financial Instruments: recognition and measurement' from 1 January 2005. In the preparation of its financial statements in accordance with IFRS for the year ended 31 December 2004, the Group continued to apply the hedge accounting rules of UK GAAP, taking advantage of the exemption available within IFRS 1 'First time adoption of IFRS'.

The Group is required to recognise transitional adjustments in accounting for its financial instruments in accordance with the measurement requirements of IAS 39 at 1 January 2005.

The Group qualifies to hedge account for a number of its hedging arrangements. IFRS 1 requires the Group to recognise various transitional adjustments to account for those hedging relationships at 1 January 2005. The accounting for those hedging relationships at transition depends on the nature of the hedged item and the hedged risk. Detailed below is a reconciliation between the IFRS restated balance sheet as at 31 December 2004 applying prior GAAP hedge accounting and the balance sheet after the adoption of both IAS 32 and IAS 39

The Group's interest rate swap and forward exchange contracts were previously not accounted for as cash flow hedges of forecasted transactions under UK GAAP and as such were not previously measured at fair value. On transition, the derivative's fair value's have been recognised on the balance sheet and directly in reserves. Any deferred gains or losses will be recognised in future earnings at the time at which the hedged forecasted transaction is recognised.

All derivative instruments will continue to be recognised on balance sheet at fair value with future gains and losses being recognised immediately in earnings, except when the hedging requirements of IAS 39 are met.

	January 1, 2005	IAS 39 Transition Adjustments	January 1, 2005 (as restated)
		(US$ in millions)	
ASSETS			
Non-current assets			
Property, plant and equipment	1,147.9	-	1,147.9
Intangible assets	508.1	-	508.1
Derivative financial instruments	-	6.4	6.4
	1,656.0	6.4	1,662.4
Current assets			
Cash and cash equivalents	233.0	-	233.0
Short-term deposits	151.7	-	151.7
Trade and other receivables	156.7	-	156.7
Inventories	1.2	-	1.2
Derivative financial instruments	-	7.6	7.6
	542.6	7.6	550.2
Total assets	**2,198.6**	**14.0**	**2,212.6**
LIABILITIES			
Current liabilities			
Trade and other payables	113.2	-	113.2
Borrowings	37.2	-	37.2
Provisions	1.1	-	1.1
Current income tax liabilities	16.0	-	16.0
	167.5	-	167.5
Non-current liabilities			
Other payables	35.2	-	35.2
Borrowings	1,824.5	-	1,824.5
Provisions	29.5	-	29.5
Deferred income tax liabilities	139.2	-	139.2
	2,028.4	-	2,028.4
Total liabilities	**2,195.9**	**-**	**2,195.9**
Net assets	**2.7**	**14.0**	**16.7**
SHAREHOLDERS' EQUITY			
Ordinary shares	0.3	-	0.3
Share premium	34.8	-	34.8
Other reserves	7.4	14.0	21.4
Accumulated losses	(39.8)	-	(39.8)
Total equity shareholders' equity	**2.7**	**14.0**	**16.7**