



## Press Release

### **Inmarsat plc Reports 2008 Interim Results and Inmarsat Holdings Limited Reports Second Quarter 2008 Results**

London, UK: 6 August 2008. Inmarsat plc (LSE: ISAT), the leading provider of global mobile satellite communications services, and Inmarsat Holdings Limited, a wholly-owned subsidiary of Inmarsat plc, today reported consolidated financial results for the 6 months and 3 months ended 30 June 2008 respectively.

The consolidated results for Inmarsat plc include the financial results of CIP UK Holdings Limited and its subsidiaries, including Stratos Global Corporation (“CIP”). Please note that where we refer to “Inmarsat Core” we include only the results of Inmarsat plc and subsidiaries and exclude CIP. It should be noted that Inmarsat plc does not control CIP, but has a call option to acquire CIP which is exercisable from 15 April 2009.

#### **Inmarsat plc – Interim 2008 Highlights<sup>1</sup>**

- **Total revenue \$485.5m up 70.8% (2007: \$284.2m)**
- **EBITDA \$264.1m up 31.5% (2007: \$200.8m)**
- **Profit before tax \$87.8m up 12.9% (2007: \$77.8m)**
- **Interim dividend increased by 5.0% to 12.13 cents (US\$) per share**

#### **Inmarsat Holdings Limited – Q2 2008 Highlights**

- **Q2 revenue \$163.7m up 14.2% (2007: \$143.4m)**
- **Q2 EBITDA \$114.0m up 12.6% (2007: \$101.2m)**
- **Q2 Profit before tax \$51.5m up 30.1% (2007: \$39.6m)**
- **Q2 BGAN revenue \$19.6m up 42.0% sequentially on Q1**
- **Record BGAN subscribers additions of 3,400 and record ARPU**

Andrew Sukawaty, Inmarsat’s Chairman and Chief Executive Officer said, “The strong results for the first half and second quarter demonstrate the continued momentum in our revenue growth across all parts of our business and the economic resilience of the industrial and governmental markets we serve. We remain confident in our outlook for the second half of 2008 and we are lifting our interim dividend by 5.0%.”

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<sup>1</sup> The comparative results for 2007 did not consolidate the results of CIP and are therefore not directly comparable to the interim results for 2008. Comparative figures for Inmarsat Core for the first half 2008 for revenue, EBITDA and profit before tax are \$311.6m, \$217.7m, and \$89.0m respectively.

## **Inmarsat Core - Mobile Satellite Services**

Second quarter revenue from our **maritime sector** increased 4.5% year over year. Maritime data revenue grew by 6.5% and we sustained year over year growth in maritime voice revenue. Activations of Fleet and FleetBroadband terminals during the second quarter increased by 37.1% year over year. Activations of FleetBroadband terminals were ahead of our expectations and we are confident that FleetBroadband is gaining rapid market acceptance among our maritime customers.

A strong acceleration in the take up and usage of our successful BGAN service saw **land mobile sector** revenue growth of 15.3% for the second quarter. Our land data revenue grew by 20.1%, combining a strong quarter for BGAN services with a sequentially stronger quarter for our GAN business. Revenue for our BGAN service was \$19.6m, up 42.0% compared to the first quarter. During the quarter we added a record 3,400 new BGAN subscribers and saw our highest ever average revenue per BGAN user of \$323 per month.

Our land mobile services saw increased usage in China and Burma following the recent natural disasters in these countries and we have estimated these events contributed \$0.7m in voice and data revenues in the quarter, primarily related to increased usage of our BGAN service. Inmarsat contributed to the rescue and coordination efforts in the aftermath of the earthquake in China by increasing beam capacity in the effected areas.

Our **aeronautical sector** revenue for the second quarter grew by 45.8% and was due to strong demand from our aeronautical customers and particularly high levels of usage for our Swift 64 service, which mainly serves the government aircraft and business jet markets. A number of Inmarsat's aeronautical services, including the recently introduced SwiftBroadband service, continue to be deployed in a number of new and on-going trials aimed at the emerging market for in-flight cellular services. We continue to be encouraged by the early stages of this market and believe we are ideally positioned to capture new connectivity revenues as they develop.

**Leasing** revenue for the second quarter was up 21.6% year over year, reflecting a full quarter contribution from leases signed late in the first quarter and additional new leasing contracts. Growth in leasing revenue is attributable to new leases signed across our maritime, land mobile, and aeronautical sectors. As a result of the recent growth in our leasing business, we now expect to report solid growth in leasing revenue for the full year 2008.

## **Liquidity**

At 30 June 2008, Inmarsat plc (including CIP) had total net borrowings of \$1,531.9m. Inmarsat Core had net borrowings of \$1,248.2m, made up of cash of \$47.5m and total borrowings of \$1,295.7m. Inmarsat Core also had a revolving credit facility with an amount available but undrawn at the end of the year of \$140.0m. CIP had net borrowings (including intragroup eliminations) of \$283.7m, including cash of \$67.7m and total borrowings of \$351.4m.

## **Outlook for Inmarsat Core**

Trading conditions in our maritime, land mobile and aeronautical sectors remain positive and we continue to see steady growth in the number of new terminal activations for key services. As a result we expect to see continued strong revenue growth in the second half of 2008.

## **Other Information**

Inmarsat management will host a conference call on Wednesday, 6 August at 2:00pm London time (United States 9:00am EST). To access the call, please dial +44 (0)20 7162 0025 and enter the access code 804511. A recording of the call will be available for one week after the event. To access the recording please dial +44 (0)20 7031 4064 and enter the access code 804511. The call will also be available by webcast accessible via the investor relations section of our website.

## **Our Financial Reports**

Inmarsat Holdings Limited, through its subsidiary Inmarsat Finance II plc, is the issuer of \$450.0m of 10.375% Senior Discount Notes due 2012. Inmarsat Group Limited, through its subsidiary Inmarsat Finance plc, is the issuer of \$310.4m of 7.625% Senior Notes due 2012. Both Inmarsat Holdings Limited and Inmarsat Group Limited are required by the terms of the Notes outstanding to report quarterly financial results. Inmarsat plc is the ultimate parent company of the Inmarsat group and reports each half year.

A copy of the interim financial results for Inmarsat plc for the 6 months ended 30 June 2008 is incorporated into this press release and is also available from our website. A copy of financial reports for both Inmarsat Holdings Limited and Inmarsat Group Limited for the second quarter can be accessed via the investor relations section of our website. Copies of these financial reports for the second quarter will also be filed with the SEC later today on form 6-K.

## **Forward-looking Statements**

Certain statements in this announcement constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances.

Inmarsat Holdings Limited  
Revenue Breakdown

Revenue

Maritime sector:

voice services

data services

Total maritime sector

Land mobile sector:

voice services

data services

Total land mobile sector

Aeronautical sector

Leasing

Total mobile satellite communications services

Other income

Total Revenues

Second quarter ended  
30 June

2008

2007

(US\$ in millions)

	26.3	26.2
	57.5	54.0
	83.8	80.2
	3.1	3.9
	35.3	29.4
	38.4	33.3
	15.6	10.7
	20.8	17.1
	158.6	141.3
	5.1	2.1
	163.7	143.4

Active Terminal Data

As at 30 June

2008

2007

Active terminals <sup>(1)</sup>

(000's)

Maritime

148.2

144.2

Land mobile

77.6

79.3

Aeronautical

9.6

8.3

Total active terminals

235.4

231.8

- (1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except ACeS handheld terminals) at any time during the preceding twelve-month period and registered at 30 June. Active ACeS terminals are the average number of terminals active on a daily basis during the period.

Inmarsat Holdings Limited  
Consolidated Profit and Loss Account

Second quarter ended  
30 June

2008

2007

(US\$ in millions)

Revenue	163.7	143.4
Employee benefit costs	(25.9)	(23.4)
Network and satellite operations costs	(9.9)	(8.4)
Other operating costs	(19.9)	(14.4)
Work performed by the Group and capitalised	6.0	4.0
EBITDA	114.0	101.2
Depreciation and amortisation	(42.8)	(41.4)
Operating profit	71.2	59.8
Interest receivable and similar income	0.6	2.2
Interest payable and similar charges	(20.3)	(22.4)
Net interest payable	(19.7)	(20.2)
Profit before income tax	51.5	39.6
Income tax expense	(14.9)	(2.6)
Profit for the period	36.6	37.0

Inmarsat Holdings Limited  
Consolidated Balance sheet

	As at 30 June	As at 31 December
	2008	2007
	(US\$ in millions)	
Non-current assets	1,788.6	1,785.9
Current assets		
Inventories	4.9	4.9
Trade and other receivables	234.4	188.2
Cash and cash equivalents	22.0	31.7
Total current assets	<u>261.3</u>	<u>224.8</u>
Total assets	<u>2,049.9</u>	<u>2,010.7</u>
Current liabilities		
Loans and other borrowings	(172.4)	(82.2)
Other payables and provisions	(153.5)	(145.9)
Non-current liabilities		
Loans and other borrowings	(869.5)	(906.4)
Other payables and provisions	(208.0)	(189.1)
Total liabilities	<u>(1,403.4)</u>	<u>(1,323.6)</u>
Net assets and shareholders' funds	<u>646.5</u>	<u>687.1</u>

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**INMARSAT PLC**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL RESULTS  
For the half year ended 30 June 2008  
(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 the Group’s 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 the Group’s 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 the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the Group’s Form 20-F Annual Report for Inmarsat Holdings Limited for the year ended 31 December 2007 as filed with the Securities and Exchange Commission (“SEC”) on 29 April 2008.*

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

## **Non-GAAP Measures**

*We use a number of non-GAAP measures in addition to GAAP measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-GAAP measures are given, this is clearly indicated and the comparable GAAP measure is also given.*

### Net Borrowings

*Net Borrowings is defined as total borrowings less cash at bank and in hand less short-term deposits with an original maturity of less than three months. We use Net Borrowings as a part of our internal debt analysis. We believe that Net Borrowings is a useful measure as it indicates the level of borrowings after taking account of the financial assets within our business that could be utilised to pay down the outstanding borrowings. In addition the Net Borrowings balance provides an indication of the net borrowings on which we are required to pay interest.*

### EBITDA

*We define EBITDA as profit before interest, taxation, depreciation and amortisation. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.*

*EBITDA and the related ratios are supplemental measures of our performance and liquidity under IFRS that are not required by, or presented in accordance with, IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS.*

*We believe EBITDA among other measures facilitates operating performance comparisons from period to period and management decision making. It also facilitates operating performance comparisons from company to company. EBITDA eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of tangible and intangible assets (affecting relative depreciation and amortisation expense). We also present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, the vast majority of which present EBITDA when reporting their results.*

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## **Responsibility Statement**

We confirm to the best of our knowledge that:

- (a) The condensed set of unaudited financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting';
- (b) The interim management report includes a fair review of the information required by the Disclosure and Transparency Rule ("DTR") 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Andrew Sukawaty  
Chairman and Chief Executive Officer  
6 August 2008

Rick Medlock  
Chief Financial Officer  
6 August 2008

## Interim Management Report

*The following is a discussion of the unaudited 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 2008. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRIC interpretations issued and effective at the time of this report.*

### Overview

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Inmarsat is the leading provider of global mobile satellite communications services, providing data and voice connectivity to end-users worldwide. Inmarsat has nearly 30 years of experience in designing, launching and operating its satellite-based network. With a fleet of ten owned and operated geostationary satellites, the Group provides a comprehensive portfolio of global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and videoconferencing. The Group’s revenues, operating profit and EBITDA for the half year ended 30 June 2008 were US\$485.5m, US\$156.3m and US\$264.1m respectively (2007: US\$284.2m, US\$118.1m and US\$200.8m respectively). Included in our results for the half year ended 30 June 2008 is the trading activity for CIP UK Holdings Limited and its subsidiaries including Stratos Global Corporation (“CIP”) following the deemed acquisition of CIP on 11 December 2007, which is discussed in “*Consolidation of CIP UK and its Subsidiaries*” below.

The results of the Group’s operations are reported in US dollars as the majority of revenues and borrowings are denominated in US dollars.

### Consolidation of CIP UK and its Subsidiaries

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The consolidated results of the Group for the half year ended 30 June 2008 include the financial results of CIP.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends from CIP UK Holdings Limited (“CIP UK”), under IFRS (more specifically *Standing Interpretations Committee (“SIC”) 12 Consolidation – Special Purpose Entities (“SPE”)*) the Group is required to consolidate the financial results of CIP UK, as it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the residual risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option. Refer to note 3 of the condensed consolidated interim financial statements on page 20 for further information on the transaction and definition of the terms ‘Loan Facility’ and ‘Call Option’.

We have accounted for the combination of Inmarsat Core<sup>1</sup> and CIP using the purchase method of accounting in accordance with *IFRS 3, ‘Business Combinations’*. The deemed acquisition of CIP on 11 December 2007 was accounted for on a provisional basis in the Group’s annual financial statements for the year ended 31 December 2007. The fair value allocation of the assets and liabilities of Stratos Global Corporation (“Stratos”), which were acquired by CIP Canada on 11 December 2007, has now been finalised. Consequently, the 11 December 2007 acquisition balance sheet and the 31 December 2007 results of CIP and therefore the Inmarsat Group have been restated to reflect the final fair value allocation of the

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<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

assets and liabilities following the fair value review. Refer to note 9 for further details of the transaction and the fair value allocation.

### ***Launch of our third Inmarsat-4 Satellite***

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The launch of the third Inmarsat-4 satellite is expected to take place in August 2008 using the International Launch Services (“ILS”) Proton Breeze M commercial launch vehicle. The launch vehicle is currently undergoing routine testing prior to launch. This will be the first ILS mission since a Proton Breeze M rocket carrying the satellite of another operator suffered an anomaly resulting in the failure of that mission in March 2008. A Russian State Commission and an ILS-led independent review panel have concluded their inquiries into that incident and corrective actions have been completed. The Proton Breeze M is now therefore ready to return to flight.

Global coverage for our BGAN, SwiftBroadband and FleetBroadband services, and the launch of our Global Satellite Phone Service will follow the successful deployment of the third Inmarsat-4 satellite and related network infrastructure.

### ***Harbinger Capital Partners (“Harbinger”)***

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On 7 July 2008, the Company announced a very preliminary approach made on behalf of funds managed by Harbinger regarding a possible offer to acquire the Group. On 21 July 2008, we announced that discussions with Harbinger had ended and that no offer had been received. On 25 July 2008, Harbinger and SkyTerra Communications, Inc. (“SkyTerra”) made announcements regarding, among other things, their current intention to make an offer to acquire the Group on terms to be announced following a satisfactory outcome of a regulatory approvals process. On the same day, the Company responded to the Harbinger and SkyTerra announcements with the following statement:

“Inmarsat notes this morning’s announcement by Harbinger and SkyTerra regarding their current intention to make an offer for Inmarsat following the satisfactory outcome of a regulatory review.

The Board remains highly confident in Inmarsat’s standalone prospects. However, the Board intends to maintain a constructive relationship with Harbinger and SkyTerra throughout the regulatory review process and will consider carefully any future offer that may maximise value for Inmarsat’s shareholders as a whole.”

### ***Dividends***

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A final dividend of 17.33 cents (US dollars) per ordinary share (total dividend US\$79.1m for the 2007 financial year as recommended by the Directors was approved and paid to shareholders on 6 May 2008.

The Board intends to declare and pay an interim dividend of 12.13 cents (US dollars) per ordinary share on 24 October 2008 to ordinary shareholders on the Register at the close of business on 26 September 2008. 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 ended 30 June 2008.

## Total Group Results

The results reported reflect 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 2008. Included in these consolidated results for the half year ended 30 June 2008 is the trading activity of CIP. Please see “*Consolidation of CIP UK and its Subsidiaries*” above for further information. Where we refer to “Inmarsat Core<sup>1</sup>” we include only the results of Inmarsat plc and its subsidiaries excluding CIP.

Excluding CIP’s results, revenues, operating profit and EBITDA for Inmarsat Core<sup>1</sup> were US\$311.6m, US\$133.1m and US\$217.7m, respectively (2007: US\$284.2m, US\$118.1m and US\$200.8m respectively).

The table below shows the combined results for Inmarsat Core<sup>1</sup> and CIP for the half year ended 30 June 2008. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group position.

	Inmarsat Core <sup>1</sup>	CIP	Intragroup eliminations and adjustments	Consolidated Inmarsat plc	
(US\$ in millions)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2007 <sup>(a)</sup> Half year (unaudited)
<b>Revenue</b>	<b>311.6</b>	<b>310.0</b>	<b>(136.1)</b>	<b>485.5</b>	<b>284.2</b>
Employee benefit costs	(52.8)	(42.8)	–	(95.6)	(46.4)
Network and satellite operations costs	(18.8)	(209.2)	135.5	(92.5)	(16.8)
Other operating costs	(33.5)	(11.5)	0.5	(44.5)	(28.2)
Work performed by the Group and capitalised	11.2	–	–	11.2	8.0
<b>EBITDA</b>	<b>217.7</b>	<b>46.5</b>	<b>(0.1)</b>	<b>264.1</b>	<b>200.8</b>
Depreciation and amortisation	(84.6)	(23.2)	–	(107.8)	(82.7)
<b>Operating profit</b>	<b>133.1</b>	<b>23.3</b>	<b>(0.1)</b>	<b>156.3</b>	<b>118.1</b>
Interest receivable and similar income	9.1	0.6	(8.2)	1.5	3.0
Interest payable and similar charges	(53.2)	(19.9)	3.1	(70.0)	(43.3)
Net interest payable	(44.1)	(19.3)	(5.1)	(68.5)	(40.3)
<b>Profit before income tax</b>	<b>89.0</b>	<b>4.0</b>	<b>(5.2)</b>	<b>87.8</b>	<b>77.8</b>
Income tax expense	(25.9)	(3.0)	–	(28.9)	(14.2)
<b>Profit for the period</b>	<b>63.1</b>	<b>1.0</b>	<b>(5.2)</b>	<b>58.9</b>	<b>63.6</b>

<sup>(a)</sup> The results for the half year ended 30 June 2007 have no impact from CIP results and should be compared with the Inmarsat Core<sup>1</sup> results for the half year ended 30 June 2008. CIP’s results have been consolidated from 11 December 2007, the date of the deemed acquisition of CIP UK.

In order to provide investors with more meaningful comparative financial information for Inmarsat plc, we have chosen to discuss our trading results and position split between Inmarsat Core<sup>1</sup> and CIP. It should be noted that CIP operates independently from Inmarsat Core<sup>1</sup> and Inmarsat Core<sup>1</sup> management have no control over the financial and operating activities and results of CIP. CIP’s analysis has substantially been obtained from trading results of the main trading entity of the CIP Group, being Stratos, as incorporated in the Consolidated Financial Statements of Stratos for the half year ended 30 June 2008, which can be accessed via [www.stratosglobal.com](http://www.stratosglobal.com). In addition the results of CIP reflect the final fair value allocation of the assets and liabilities of Stratos, which were acquired by CIP Canada on 11 December 2007.

## Inmarsat Core<sup>1</sup> Results

### Revenues

Revenues for the half year ended 30 June 2008 were US\$311.6m, an increase of US\$27.4m, or 9.6%, compared with the half year ended 30 June 2007. The table below sets out the components of Inmarsat Core's<sup>1</sup> total revenue for each of the periods under review:

	2008 Half year (unaudited)	2007 Half year (unaudited)	Increase/ (decrease)
	(US\$ in millions)		%
<b>Revenues</b>			
<b>Maritime sector:</b>			
Voice services	52.7	52.5	0.4%
Data services	115.3	105.8	9.0%
<b>Total maritime sector</b>	<b>168.0</b>	<b>158.3</b>	<b>6.1%</b>
<b>Land mobile sector:</b>			
Voice services	5.9	7.8	(24.4%)
Data services	63.7	57.8	10.2%
<b>Total land mobile sector</b>	<b>69.6</b>	<b>65.6</b>	<b>6.1%</b>
Aeronautical sector	28.3	20.8	36.1%
Leasing	37.9	34.6	9.5%
<b>Total mobile satellite communications services</b>	<b>303.8</b>	<b>279.3</b>	<b>8.8%</b>
Other income	7.8	4.9	59.2%
<b>Total revenue</b>	<b>311.6</b>	<b>284.2</b>	<b>9.6%</b>

During the half year ended 30 June 2008, revenues from mobile satellite communications services ("MSS") were US\$303.8m, an increase of US\$24.5m, or 8.8%, compared with the half year ended 30 June 2007. Growth has been strongest in the newer services such as Fleet, BGAN and Swift 64 as well as in our leasing business.

Total active terminal numbers as at 30 June 2008 were 235,400, an increase of 3,600, or 1.6%, compared with 30 June 2007. There was growth in both the maritime and aeronautical sectors, partially offset by a reduction in the land mobile sector. Maritime active terminals were up 2.8% period over period, which included 37.1% growth in our base of active Fleet and FleetBroadband terminals. This was partially offset by the discontinuation of the Inmarsat-A service as at 31 December 2007 (there were 4,014 and 3,347 active Inmarsat-A terminals at 30 June 2007 and 31 December 2007 respectively). In the aeronautical sector, we have seen continued growth in Swift 64 (high-speed data) and 'Classic' aero (low-speed data) services with increased active terminal numbers. In the land mobile sector, the decrease in active terminals is primarily due to a decrease in active Mini M terminals, partially offset by growth in the number of BGAN users. The table below sets out the active terminals by sector:

(000's)	As at 30 June	
	2008	2007
Active terminals <sup>(a)</sup>		
Maritime	148.2	144.2
Land mobile	77.6	79.3
Aeronautical	9.6	8.3
<b>Total active terminals</b>	<b>235.4</b>	<b>231.8</b>

<sup>(a)</sup> Active terminals are the number of subscribers or terminals that have been used to access commercial services (except ACeS handheld terminals) at any time during the preceding twelve-month period and registered at 30 June. Active ACeS handheld terminals are the average number of terminals active on a daily basis during the period.

**Maritime Sector:** During the half year ended 30 June 2008, revenues from the maritime sector were US\$168.0m, an increase of US\$9.7m, or 6.1%, compared with the half year ended 30 June 2007. This reflects an increase in both data and voice revenue.

Revenues from data services in the maritime sector during the half year ended 30 June 2008 were US\$115.3m, an increase of US\$9.5m, or 9.0%, compared with the half year ended 30 June 2007. The increase in revenues from data services primarily reflects greater demand, as a result of the take-up and utilisation of our Fleet services, which was partially offset by the decline in our mature Inmarsat-B service. Incremental demand for Fleet terminals has also been driven by continued growth in the global shipping new-build market. Additionally, we experienced increased volume of the low-speed data services, typically used for email. FleetBroadband, introduced in November 2007, continues to gain early customer acceptance.

Revenues from voice services in the maritime sector during the half year ended 30 June 2008 were US\$52.7m, an increase of US\$0.2m, or 0.4%, compared with the half year ended 30 June 2007, reflecting increasing signs of stabilisation in this sector. The period has shown growth in demand for voice services particularly among users of our Fleet services.

**Land Mobile Sector:** In the half year ended 30 June 2008, revenues from the land mobile sector were US\$69.6m, an increase of US\$4.0m, or 6.1%, compared with the half year ended 30 June 2007. We experienced increased usage of our services in the area of China, and to lesser extent, Burma, as a result of recent natural disasters in these countries. Inmarsat contributed to the rescue and coordination efforts in the aftermath of the earthquake in China by increasing beam capacity in the effected areas ensuring maximum connectivity and continued its involvement with Telecoms Sans Frontieres which is celebrating its 10th year of global operation. We have estimated that additional usage of our services in response to these events was US\$0.7m, predominantly from voice and data use of our BGAN service.

Revenues from data services in the land mobile sector during the half year ended 30 June 2008 were US\$63.7m, an increase of US\$5.9m, or 10.2%, compared with the half year ended 30 June 2007. The increase is a result of continued strong growth and usage of BGAN, offset in part by the decline in GAN high-speed data traffic following reduced traffic levels in the Middle East and competition from VSAT. Revenues from our R-BGAN service, which is due to be discontinued at 31 December 2008, were lower compared with the same period in the previous year, largely due to the expected migration to our BGAN service.

Revenues from BGAN services for the half year ended 30 June 2008 were US\$33.4m, an increase of US\$18.3m, or 121%, compared with the half year ended 30 June 2007. These figures include voice, data and subscription revenues. As at 30 June 2008, active BGAN subscribers were 21,909 compared with 11,782 as at 30 June 2007, an increase of 86% period on period. BGAN growth has been driven largely by new customers, the use of new applications by existing customers and the steady migration of customers from our GAN and R-BGAN services to our BGAN service. Although we expect the migration to BGAN to have a greater impact in the future, we do not expect migration to adversely impact overall land data revenues.

Revenues from voice services in the land mobile sector during the half year ended 30 June 2008 were US\$5.9m, a decrease of US\$1.9m, or 24.4%, compared with the half year ended 30 June 2007. This result continues the trend seen over the last few years of declining voice traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from other MSS operators. This decline was partially offset by the growth in voice traffic from BGAN customers and some contribution from our IsatPhone service.

**Aeronautical Sector:** During the half year ended 30 June 2008, revenues from the aeronautical sector were US\$28.3m, an increase of US\$7.5m, or 36.1%, compared with the half year ended 30 June 2007. The increase is primarily due to increased demand for our Swift 64 high-speed data service, which targets the government aircraft and business jet markets as well as being used by commercial airlines. In addition revenues for low-speed data services benefited from increased industry demand.

**Leasing:** During the half year ended 30 June 2008, revenues from leasing were US\$37.9m, an increase of US\$3.3m, or 9.5%, compared with the half year ended 30 June 2007. The increase relates to new lease contracts which were signed towards the end of the first quarter, partially offset by lower navigation revenue. As a result of the recent growth in our leasing business, we now expect to report solid growth in leasing revenue for the full year.

**Other income:** Other income for the half year ended 30 June 2008 was US\$7.8m, an increase of US\$2.9m or 59%, compared with the half year ended 30 June 2007. The increase in other income primarily relates to additional revenue from sales of SPS end-user terminals. As well as the sale of SPS end-user terminals, other income consists primarily of provision of in-orbit support services, income from the provision of conference facilities and renting surplus office space.

**Seasonality - Impact of volume discounts:** Revenues are impacted by volume discounts which increase over the course of the year, with lower discount levels in early quarters and higher discounts in later quarters, as our distribution partners meet specific volume thresholds. The effect of these volume discounts will be most prominent in the third and fourth quarters. During the half year ended 30 June 2008, volume discounts were US\$21.7m, an increase of US\$5.1m, or 30.7%, compared with the half year ended 30 June 2007. The total amount of volume discounts is affected by the growth in underlying revenue and by the consolidation of distribution partners. Vizada Satellite Communications and Telenor Satellite Services completed a merger in September 2007, which is resulting in additional volume discounts in 2008 compared to 2007.

#### **Net operating costs**

Net operating costs in the half year ended 30 June 2008 were US\$93.9m, an increase of US\$10.5m or 12.6%, compared with the half year ended 30 June 2007. The table below sets out the components of the Group's net operating costs for each of the periods under review:

(US\$ in millions)	Inmarsat Core <sup>1</sup> 2008 Half year (unaudited)	Consolidated Inmarsat plc 2007 Half year (unaudited)
Employee benefit costs	52.8	46.4
Network and satellite operations costs	18.8	16.8
Other operating costs	33.5	28.2
Work performed by the Group and capitalised	(11.2)	(8.0)
<b>Net operating costs</b>	<b>93.9</b>	<b>83.4</b>

#### **Impact of hedged foreign exchange rate**

The functional currency of the Group is US dollars. Approximately 60% of Inmarsat Core's<sup>1</sup> operating costs are denominated in Pounds Sterling. Net operating costs in the first half of 2008 have been affected by the adverse movement in Inmarsat Core's<sup>1</sup> hedged rate of exchange from US\$1.81/£1.00 in 2007 to US\$2.01/£1.00 in 2008. The movement in the hedged rate of exchange in the first half of 2008 has resulted in an increase in comparative costs of US\$5.1m.

<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

### ***Employee benefit costs***

Employee benefit costs during the half year ended 30 June 2008 were US\$52.8m, an increase of US\$6.4m, or 13.8%, compared with the half year ended 30 June 2007. The increase can primarily be attributed to an adverse movement in Inmarsat Core's<sup>1</sup> hedged rate of exchange, higher salary costs, increased stock option costs due to new share awards (commenced in March, May and September 2007 and March 2008) and additional headcount in both London and Batam (our operation in Indonesia). Total full-time equivalent headcount at 30 June 2008 was 469 compared to 448 as at 30 June 2007.

### ***Network and satellite operations costs***

Network and satellite operations costs during the half year ended 30 June 2008 were US\$18.8m, an increase of US\$2.0m or 11.9%, compared with the half year ended 30 June 2007. The increase is primarily due to additional support and maintenance contracts, in respect of network infrastructure, period on period.

### ***Other operating costs***

During the half year ended 30 June 2008, other operating costs were US\$33.5m, an increase of US\$5.3m, or 18.8%, compared with the half year ended 30 June 2007. The increase relates to the movement in Inmarsat Core's<sup>1</sup> hedged rate of exchange, higher direct cost of sales due to increased SPS terminal sales and some increased costs in relation to sales and marketing activities. Partially offsetting the increase was a foreign exchange gain of US\$0.7m recognised for the half year ended 30 June 2008, compared to a foreign exchange loss in the same period in 2007 of US\$1.2m.

### ***Work performed by the Group and capitalised***

During the half year ended 30 June 2008, own work capitalised was US\$11.2m, an increase of US\$3.2m, or 40.0%, compared with the half year ended 30 June 2007. The increase can be attributed, in part, to the movement in Inmarsat Core's<sup>1</sup> hedged rate of exchange. The nature of own work capitalised reflects the shift of work from our BGAN and Inmarsat-4 programmes to the development of the Global Satellite Phone Service ("GSPS") network and terminals and the Alphasat satellite project. With the launch of the third Inmarsat-4 satellite scheduled for August 2008, we are continuing to capitalise costs in relation to the launch.

### ***EBITDA***

As a result of the factors discussed previously, EBITDA for the half year ended 30 June 2008 was US\$217.7m, an increase of US\$16.9m, or 8.4%, compared with the half year ended 30 June 2007. EBITDA margin has decreased to 69.9% for the half year ended 30 June 2008 compared with 70.7% for the half year ended 30 June 2007, primarily as a result of the adverse movement in Inmarsat Core's<sup>1</sup> hedged rate of exchange.

Set forth below is a reconciliation of profit for the period to EBITDA for each of the periods indicated:

	Inmarsat Core <sup>1</sup> 2008 Half year (unaudited)	Consolidated Inmarsat plc 2007 Half year (unaudited)
(US\$ in millions)		
<b>Profit for the period</b>	63.1	63.6
Add back:		
Income tax expense	25.9	14.2
Net interest payable	44.1	40.3
Depreciation and amortisation	84.6	82.7
<b>EBITDA</b>	<b>217.7</b>	<b>200.8</b>
<b>EBITDA margin</b>	<b>69.9%</b>	<b>70.7%</b>

<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP



### ***Depreciation and amortisation***

During the half year ended 30 June 2008, depreciation and amortisation was US\$84.6m, an increase of US\$1.9m, or 2.3%, compared with the half year ended 30 June 2007. The increase relates to higher depreciation on our BGAN and SPS assets, partially offset by the absence of depreciation on the Inmarsat-2 satellites which are now fully depreciated.

### ***Operating profit***

As a result of the factors discussed above, operating profit during the half year ended 30 June 2008 was US\$133.1m, an increase of US\$15.0m, or 12.7%, compared with the half year ended 30 June 2007.

### ***Interest***

Net interest payable for the half year ended 30 June 2008 was US\$44.1m, an increase of US\$3.8m compared with the half year ended 30 June 2007.

Interest payable for the half year ended 30 June 2008 was US\$53.2m, an increase of US\$9.9m, or 22.9% compared with the half year ended 30 June 2007. The increase is primarily attributable to interest recognised on the Convertible Bond issued in November 2007 and additional interest due to increased borrowings under our Senior Credit Facility (US\$410.0m at 30 June 2008 compared to US\$300.0m at 30 June 2007). Partially offsetting this increase was reduced interest payable on our Senior Notes due to an increase in the principal amount of the Senior Notes held by the Group (US\$146.7m at 30 June 2008 compared to US\$53.6m at 30 June 2007), as well as lower interest on the floating portion of our Senior Credit Facility as a result of a reduction in the U.S. interest rate.

Interest receivable for the half year ended 30 June 2008 was US\$9.1m, an increase of US\$6.1m, or 203% compared with the half year ended 30 June 2007. The increase primarily relates to interest income accrued on our loan to CIP which was granted in December 2007 partially offset by a decrease in bank interest earned due to lower cash balances.

### ***Profit before tax***

For the half year ended 30 June 2008, profit before tax was US\$89.0m, an increase of US\$11.2m, or 14.4% compared with the half year ended 30 June 2007. The increase is due to increased revenue partially offset by increased operating costs, depreciation and amortisation and interest payable.

### ***Income tax expense***

Inmarsat Core<sup>1</sup> recorded a tax charge of US\$25.9m for the half year ended 30 June 2008, an increase of US\$11.7m, or 82.4%, compared with the half year ended 30 June 2007.

The increase in the tax charge is primarily driven by the fact that the half year ended 30 June 2007 included a deferred tax credit of US\$9.2m to take account of the substantively enacted reduction in the future UK Corporation Tax rate from 30% to 28% on the opening deferred tax balance. Notwithstanding this adjustment, the tax charge reflects the increase in profits, which was partially offset by the reduction in the projected 2008 average tax rate from 30% to 28.5% following the reduction in the UK Corporation Tax rate from 30% to 28% from 1 April 2008.

The increase in effective tax rate from 18.3% for the half year ended 30 June 2007 to 29.1% for the half year ended 30 June 2008, is as a result of the adjustment for the enacted reduction in the future UK Corporation Tax rate from 30% to 28% discussed above. Excluding this adjustment, the effective rate for the half year ended 30 June 2007 would have been 30.1%. The reduction in the comparative effective tax rate from 30.1% to 29.1% is primarily as a result of the reduction in the UK Corporation Tax rate as mentioned above.

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<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

### ***Profit for the period***

As a result of the factors discussed above, profit for the half year ended 30 June 2008 was US\$63.1m, a decrease of US\$0.5m, or 0.8%, compared with the half year ended 30 June 2007.

### **CIP Results**

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With effect from 11 December 2007, CIP UK and its subsidiaries (“CIP”) have been consolidated into our Group results. CIP operates and is managed independently from Inmarsat Core<sup>1</sup>. CIP’s only trading subsidiary is Stratos for which all trading information that follows primarily relates. For further information on Stratos please refer to their 2008 interim Consolidated Financial Statements which can be located at [www.stratosglobal.com](http://www.stratosglobal.com). In addition, the results of CIP include the impact of the final fair value allocation of the assets and liabilities of Stratos which were acquired by CIP Canada on 11 December 2007.

Total revenues for CIP for the half year ended 30 June 2008 were US\$310.0m. Of this amount, MSS revenues were US\$237.7m, Broadband revenues were US\$49.1m and revenues from the sales and rental of equipment and repairs were US\$23.2m. Inmarsat services account for approximately 80% of Stratos’ MSS revenues. Intragroup revenues reported by Inmarsat Core<sup>1</sup> from Stratos that are eliminated on consolidation were US\$133.2m for the half year ended 30 June 2008. In addition, US\$2.9m intragroup revenues reported by Stratos from Inmarsat Core<sup>1</sup>, for the half year ended 30 June 2008, have been eliminated.

Total operating costs (excluding depreciation and amortisation) for CIP for the half year ended 30 June 2008 were US\$263.5m. Stratos’ largest operating costs category is network and satellite operations costs which largely reflects costs of goods and services, variable expenses such as the cost of airtime and space segment they purchase from satellite operators including Inmarsat, cost of equipment, materials and services they re-sell, and variable labour costs related to the repair and service workforce. Intragroup costs that are eliminated on Group consolidation were US\$135.5m for the period for network and satellite operations costs and US\$0.5m for other operating costs.

Depreciation and amortisation of US\$23.2m for the half year ended 30 June 2008 relates to capital assets with a net book value of US\$377.9m at 30 June 2008. The net book value at 30 June 2008 reflects the finalisation of the fair value allocation of the assets and liabilities of Stratos which were acquired by CIP Canada on 11 December 2007.

Net interest payable of US\$19.3m for the half year ended 30 June 2008 primarily reflects interest costs associated with Stratos’ outstanding Senior Credit Facility of US\$7.2m, Senior Unsecured Notes of US\$7.4m and interest on the intragroup loan that is payable to Inmarsat Finance III Limited (“Inmarsat III”). The intragroup loan and associated interest is eliminated on Group consolidation.

Profit after tax for the half year ended 30 June 2008 was US\$1.0m.

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<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

## Total Group Results

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### *Earnings per share*

For the half year ended 30 June 2008, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 13 cents (US\$) and 14 cents (US\$) respectively, compared with 14 cents (US\$) and 14 cents (US\$) respectively for the half year ended 30 June 2007.

### *Liquidity and capital resources*

Inmarsat Core<sup>1</sup> had net borrowings at 30 June 2008 of US\$1,248.2m primarily comprising drawings on the Senior Credit Facility of US\$410.0m, a Convertible Bond of US\$240.0m (including accretion of principal), Senior Notes of US\$163.7m (net of US\$146.7m Senior Notes held by the Group, being 47.3% of the aggregate principal amount outstanding), Senior Discount Notes of US\$433.4m (including accretion of principal) and deferred satellite payments of US\$47.8m, net of cash and cash equivalents of US\$47.5m.

CIP had net borrowings at 30 June 2008 of US\$283.7m, primarily comprising drawings on Senior Credit Facility of US\$211.5m and Senior Unsecured Notes of US\$139.5m, net of cash and cash equivalents of US\$67.7m.

The total borrowings figures given in note 8 can be reconciled to the net borrowings figures above as follows:

(US\$ in millions)	As at 30 June 2008 (unaudited)	As at 31 December 2007 (audited)
<b>Inmarsat Core<sup>1</sup></b>		
Total borrowings	1,295.7	1,235.5
Cash and cash equivalents	(47.5)	(51.1)
	<b>1,248.2</b>	<b>1,184.4</b>
<b>CIP</b>		
Total borrowings <sup>(a)</sup>	351.4	373.3
Cash and cash equivalents	(67.7)	(63.9)
	<b>283.7</b>	<b>309.4</b>
<b>Group Net Borrowings (excluding deferred finance costs)</b>	<b>1,531.9</b>	<b>1,493.8</b>

<sup>(a)</sup> Excluding the intragroup loan payable by CIP UK to Inmarsat III of US\$312.8m and net of US\$10.5m in relation to the principal amount of the CIP Group's Senior Unsecured Notes purchased by Inmarsat during the period.

The table below shows the combined cash flow for Inmarsat Core<sup>1</sup> and CIP for the half year ended 30 June 2008. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group cash flow position.

	Inmarsat Core <sup>1</sup>	CIP	Intragroup eliminations and adjustments	Consolidated Inmarsat plc	
(US\$ in millions)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2007 Half year (unaudited)
Net cash from operating activities	177.8	37.3	–	215.1	177.5
Net cash (used in)/from investing activities					
excluding capital expenditure	(17.2)	0.8	10.5	(5.9)	(9.1)
Capital expenditure	(98.6)	(7.8)	–	(106.4)	(76.0)
Dividends paid to shareholders	(78.9)	–	–	(78.9)	(73.0)
Net cash from/(used in) financing activities					
excluding dividends	13.3	(26.5)	(10.5)	(23.7)	30.0
Foreign exchange adjustment	–	–	–	–	0.1
Net increase in cash and cash equivalents	<b>(3.6)</b>	<b>3.8</b>	<b>–</b>	<b>0.2</b>	<b>49.5</b>

Net cash from operating activities during the half year ended 30 June 2008 was US\$215.1m compared to US\$177.5m during the half year ended 30 June 2007. The increase arises from increased EBITDA and the inclusion of CIP, offset partially by movements in working capital.

Net cash used in investing activities, excluding capital expenditure, during the half year ended 30 June 2008 was US\$5.9m compared with US\$9.1m for the half year ended 30 June 2007. The adjustment of US\$10.5m reflects a reclassification from investing activities to financing activities in relation to the principal amount of the CIP Group's Senior Unsecured Notes purchased by Inmarsat during the period. On consolidation we treat the principal of the CIP Senior Unsecured Notes net of notes held by the Group and therefore on consolidation reclassify the cash flow from investing to financing activities.

Capital expenditure during the half year ended 30 June 2008 was US\$106.4m compared with US\$76.0m for the half year ended 30 June 2007. Inmarsat Core's<sup>1</sup> capital expenditure for the half year ended 30 June 2008 reflects milestone payments and launch costs for the third Inmarsat-4 satellite, milestone payments for our third Satellite Access Station which is based in Hawaii and expenditure on the Alphasat satellite project. CIP's cash outflow in respect of capital expenditure for property, plant and equipment was US\$7.8m for the half year ended 30 June 2008.

Net cash used in financing activities, excluding the payment of dividends, during the half year ended 30 June 2008 was US\$23.7m compared to cash generated of US\$30.0m during the half year ended 30 June 2007. During the half year ended 30 June 2008, Inmarsat Core<sup>1</sup> drew down US\$90.0m on its revolving credit facility (half year ended 30 June 2007: US\$50.0m). Offsetting these inflows were Inmarsat Core's<sup>1</sup> purchase of US\$55.1m principal of its Senior Notes (half year ended 30 June 2007: US\$nil), payment of US\$21.2m interest on the Senior Notes and Facilities (half year ended 30 June 2007: US\$18.6m) and the inclusion of CIP's cash outflow in respect of financing activities of US\$26.5m for the half year ended 30 June 2008. The adjustment of US\$10.5m relates to a reclassification from investing to financing activities, as discussed above.

The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally Inmarsat Core<sup>1</sup> may adjust

<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### ***Balance Sheet***

The table below shows the combined balance sheets of Inmarsat Core<sup>1</sup> and CIP at 30 June 2008. The table also identifies all associated intragroup eliminations and adjustments for the reported condensed consolidated interim Group balance sheet.

	Inmarsat Core <sup>1</sup>	CIP	Intragroup eliminations and adjustments	Consolidated Inmarsat plc	
(US\$ in millions)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2008 Half year (unaudited)	2007 (as restated)
Non-current assets	2,114.6	672.4	(341.4)	2,445.6	2,458.6
Current assets	262.9	238.3	(97.6)	403.6	366.1
<b>Total assets</b>	<b>2,377.5</b>	<b>910.7</b>	<b>(439.0)</b>	<b>2,849.2</b>	<b>2,824.7</b>
Current liabilities	(349.7)	(155.0)	121.4	(383.3)	(321.6)
Non-current liabilities	(1,312.7)	(754.7)	312.8	(1,754.6)	(1,769.7)
<b>Total liabilities</b>	<b>(1,662.4)</b>	<b>(909.7)</b>	<b>434.2</b>	<b>(2,137.9)</b>	<b>(2,091.3)</b>
<b>Net assets</b>	<b>715.1</b>	<b>1.0</b>	<b>(4.8)</b>	<b>711.3</b>	<b>733.4</b>

The 31 December 2007 consolidated results have been restated to reflect the allocation of the purchase consideration following the final fair value review of the assets and liabilities of Stratos which were acquired by CIP Canada on 11 December 2007. At 31 December 2007, the Group accounted on a provisional basis for the excess of the purchase price over the asset value that arose on the acquisition. Owing to the proximity of the acquisition to the year end, the required allocation of excess purchase price to identify tangible and intangible assets was not completed and provisional goodwill recognised was US\$407.3m. As a result of the final fair value review, goodwill decreased by US\$137.8m from that reported at 31 December 2007. The decrease primarily reflects the recognition of identifiable intangible assets of US\$197.7m, an uplift to tangible assets of US\$1.0m and a corresponding deferred tax liability of US\$59.6m. Refer to note 9 for details of the fair value allocation.

The Group's non-current assets totalled US\$2,445.6m at 30 June 2008 compared with US\$2,458.6m at 31 December 2007 (as restated). The decrease is due primarily to depreciation and amortisation of capital assets, offset in part by additions during the half year ended 30 June 2008. The adjustment of US\$341.4m represents the elimination of the intragroup loan between Inmarsat III and CIP UK, an adjustment for transaction costs in Inmarsat Core<sup>1</sup> which are capitalised to goodwill on consolidation, an adjustment for non-controlling interests and an adjustment for the US\$29.7m in hedging gains applied against the purchase price of Stratos by CIP Canada on consolidation.

Current assets for the Group were US\$403.6m at 30 June 2008 compared with US\$366.1m at 31 December 2007. Trade and other receivables increased from US\$234.8m at 31 December 2007 to US\$270.6m at 30 June 2008 principally due to an increase in the trade receivables of Inmarsat Core<sup>1</sup>. The adjustment of US\$97.6m represents the elimination of intragroup receivables.

Current liabilities for the Group at 30 June 2008 were US\$383.3m compared with US\$321.6m at 31 December 2007 (as restated). The US\$80.9m increase in current borrowings relates primarily to the drawdown of US\$90.0m under Inmarsat Core's<sup>1</sup> Senior Credit Facility and the repayment of US\$11.3m of the current portion of the CIP Senior Credit Facility during the half year ended 30 June 2008. Trade and other payables have decreased by US\$35.7m from the year ended 31 December 2007 and largely relate to lower

<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

payables for Inmarsat Core<sup>1</sup> as a result of lower capital expenditure accruals at 30 June 2008. The adjustment of US\$121.4m represents the elimination of intragroup payables and unamortised hedged gains in Inmarsat III which have been applied against the purchase price of Stratos by CIP Canada on consolidation.

Non-current liabilities for the Group were US\$1,754.6m at 30 June 2008 compared with US\$1,769.7m at 31 December 2007 (as restated). Non-current borrowings decreased by US\$39.6m, primarily relating to the purchase by the Group of US\$55.1m principal amount of Inmarsat Core's<sup>1</sup> Senior Notes and the purchase of US\$10.5m principal amount of the CIP Senior Unsecured Notes (on consolidation we record the Senior Notes and CIP Senior Unsecured Notes net of amounts held by ourselves). Partially offsetting this decrease was an increase in the principal amount of the Senior Discount Notes and the Convertible Bond due to the semi-annual accretion of principal. The adjustment of US\$312.8m represents the elimination of the intragroup loan between Inmarsat III and CIP UK.

### ***CIP and its subsidiaries***

The financial performance of CIP UK Limited, CIP Canada and Stratos ("CIP") is outside the control of the management of Inmarsat Core<sup>1</sup>. CIP operates independently and is managed independently from Inmarsat Core<sup>1</sup>. Inmarsat Core<sup>1</sup> management have no ability to influence or manage the results of CIP Group or to mitigate any adverse impacts on its business.

### ***Risk factors***

Inmarsat Core<sup>1</sup> faces a number of risk factors, not all of which are wholly within our control. Although many of the risk factors influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

There are potential risk factors which could have a material impact on Inmarsat Core's<sup>1</sup> performance. These could cause actual results to differ materially from expected and historical results. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, revenue, profits, assets, liquidity and capital resources adversely. Our critical risk factors are discussed in the 2007 Inmarsat plc Annual Report on pages 18 and 19. They should also be considered in connection with the forward-looking statements in this document and the cautionary statement regarding forward-looking statements. While the risk factors referred to above may be ongoing to our business, this risk factor may have a material impact on Inmarsat Core's<sup>1</sup> performance over the remaining period to the end of the financial year:

*Launch of our third Inmarsat-4 Satellite:* Although we have taken out launch insurance, the launch is subject to risk of failure either on launch or once in orbit. Launch insurance covers the launch and subsequent commissioning, testing, and in-orbit operations for a period of one year from the launch date. Following the launch of the third Inmarsat-4 satellite we intend to reposition several of the satellites in our fleet to enhance coverage and network efficiency. The repositioning exercise is complex and carries with it execution and operational risks. In addition the repositioning exercise will have a limited impact on some services while the satellites are being moved to their new locations. The impact on our revenue during the periods when some services are affected is not expected to be material.

### ***Related Party Transactions***

There have been no material changes in the related party transactions described in the 2007 Inmarsat plc Annual Report and Accounts on page 83.

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<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

***Recent Events***

Subsequent to 30 June 2008, other than the events discussed above, there have been no other material events which would affect the information reflected in the condensed consolidated interim financial results of the Group.

***Outlook for Inmarsat Core<sup>1</sup>***

Trading conditions in our maritime, land mobile and aeronautical sectors remain positive and we continue to see steady growth in the number of new terminal activations for key services. As a result we expect to see continued strong revenue growth in the second half of 2008.

Inmarsat plc  
99 City Road  
London EC1Y 1AX

By order of the Board,

Andrew Sukawaty  
Chairman and Chief Executive Officer  
6 August 2008

Rick Medlock  
Chief Financial Officer  
6 August 2008

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**For the half year ended 30 June 2008**

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
<b>Revenue</b>	<b>485.5</b>	<b>284.2</b>
Employee benefit costs	(95.6)	(46.4)
Network and satellite operations costs	(92.5)	(16.8)
Other operating costs	(44.5)	(28.2)
Work performed by the Group and capitalised	11.2	8.0
<b>EBITDA</b>	<b>264.1</b>	<b>200.8</b>
Depreciation and amortisation	(107.8)	(82.7)
<b>Operating profit</b>	<b>156.3</b>	<b>118.1</b>
Interest receivable	1.5	3.0
Interest payable and similar charges	(70.0)	(43.3)
Net interest payable	(68.5)	(40.3)
<b>Profit before income tax</b>	<b>87.8</b>	<b>77.8</b>
Income tax expense	(28.9)	(14.2)
<b>Profit for the period attributable to equity holders</b>	<b>58.9</b>	<b>63.6</b>

Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US\$ per share)

— Basic	0.13	0.14
— Diluted	0.14	0.14

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF**  
**RECOGNISED INCOME AND EXPENSE**  
**For the half year ended 30 June 2008**

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
Profit for the year	58.9	63.6
Actuarial (losses)/gains from pension and post retirement healthcare benefits	(11.3)	9.0
Net gains on cash flow hedges	3.2	13.3
Tax credited/(charged) directly to equity	2.7	(6.4)
Total recognised income for the period attributable to equity holders	<b>53.5</b>	<b>79.5</b>



**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
**At 30 June 2008**

(US\$ in millions)	As at 30 June 2008 (unaudited)	As at 31 December 2007 (as restated)	As at 30 June 2007 (unaudited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,395.6	1,393.8	1,219.7
Intangible assets	1,040.3	1,057.0	517.0
Investments	6.5	6.8	–
Other receivables	3.1	1.0	–
Derivative financial instruments	0.1	–	–
	<b>2,445.6</b>	<b>2,458.6</b>	<b>1,736.7</b>
<b>Current assets</b>			
Cash and cash equivalents	115.2	115.0	94.3
Trade and other receivables	270.6	234.8	189.0
Inventories	16.6	15.8	0.6
Derivative financial instruments	1.2	0.5	21.9
	<b>403.6</b>	<b>366.1</b>	<b>305.8</b>
<b>Total assets</b>	<b>2,849.2</b>	<b>2,824.7</b>	<b>2,042.5</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	174.6	93.7	64.5
Trade and other payables	159.0	194.7	124.1
Provisions	–	0.1	0.2
Current income tax liabilities	45.6	28.8	23.0
Derivative financial instruments	4.1	4.3	0.1
	<b>383.3</b>	<b>321.6</b>	<b>211.9</b>
<b>Non-current liabilities</b>			
Borrowings	1,443.9	1,483.5	927.0
Other payables	15.6	7.6	5.8
Provisions	51.6	40.4	31.8
Deferred income tax liabilities	236.7	230.5	140.1
Derivative financial instruments	6.8	7.7	–
	<b>1,754.6</b>	<b>1,769.7</b>	<b>1,104.7</b>
<b>Total liabilities</b>	<b>2,137.9</b>	<b>2,091.3</b>	<b>1,316.6</b>
<b>Net assets</b>	<b>711.3</b>	<b>733.4</b>	<b>725.9</b>
<b>Shareholders' equity</b>			
Ordinary shares	0.3	0.3	0.4
Share premium	677.1	677.1	677.0
Equity reserve	56.9	56.9	–
Other reserves	(1.6)	(7.4)	22.4
Retained earnings	(22.9)	5.1	26.1
<b>Equity attributable to shareholders of the parent</b>	<b>709.8</b>	<b>732.0</b>	<b>725.9</b>
<b>Non-controlling interest</b>	<b>1.5</b>	<b>1.4</b>	<b>–</b>
<b>Total shareholders' equity</b>	<b>711.3</b>	<b>733.4</b>	<b>725.9</b>

**INMARSAT PLC**  
**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
**For the half year ended 30 June 2008**

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
<b>Cash flow from operating activities</b>		
Cash generated from operations	216.5	174.9
Interest received	1.6	2.7
Income taxes paid	(3.0)	(0.1)
<b>Net cash from operating activities</b>	<b>215.1</b>	<b>177.5</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(93.4)	(67.5)
Proceeds on disposal of property, plant and equipment	0.8	–
CIP transaction fees	(5.4)	(7.6)
Work performed by the Group and capitalised <sup>(a)</sup>	(13.0)	(8.5)
Consideration under ACeS collaboration arrangement	(1.3)	(1.5)
<b>Net cash used in investing activities</b>	<b>(112.3)</b>	<b>(85.1)</b>
<b>Cash flow from financing activities</b>		
Dividends paid to shareholders	(78.9)	(73.0)
Purchase of own debt securities	(65.6)	–
Interest paid on borrowings	(36.4)	(18.6)
Finance lease disposal fees	–	(1.4)
Net drawdown of credit facilities	78.7	50.0
Other financing activities	(0.4)	–
<b>Net cash used in financing activities</b>	<b>(102.6)</b>	<b>(43.0)</b>
Foreign exchange adjustment	–	0.1
<b>Net increase in cash and cash equivalents</b>	<b>0.2</b>	<b>49.5</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of year	115.0	42.7
Net increase in cash and cash equivalents	0.2	49.5
<b>As reported on balance sheet (net of bank overdrafts)</b>	<b>115.2</b>	<b>92.2</b>
<b>At end of year, comprising</b>		
Cash and cash equivalents per the balance sheet	115.2	94.3
Bank overdrafts	–	(2.1)
	<b>115.2</b>	<b>92.2</b>

(a) The Group previously classified the cash impact of 'Work performed by the Group and capitalised' within 'Cash flow from operating activities'. Management believes that the inclusion as part of 'Cash flow from investing activities' is a fairer representation of the Group's activities, and as a result, US\$8.5m of cash flow in the half year ended 30 June 2007 has been reclassified from 'Cash flow from operating activities' to 'Cash flows from investing activities'.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

### 1. General Information

These unaudited condensed consolidated interim financial results were approved for issue by the Board of Directors on 6 August 2008.

The financial information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for the year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified and did not contain statements under Section 237(2) or 237(4) of the Companies Act 1985.

### 2. Principal accounting policies

#### *Basis of preparation*

The unaudited condensed consolidated interim financial information for the half year ended 30 June 2008 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting'.

Except as described below, the same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2007, as available on our website [www.inmarsat.com](http://www.inmarsat.com).

- Taxes are accrued based on management's estimated annual effective income tax rate applied to the Group's interim pre-tax income.
- The condensed consolidated financial information presented does not comply with the full disclosure requirements of all applicable IFRSs.
- The Group has adopted IFRIC 14, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' in the period. This did not result in a material change to the defined benefit liability.
- The acquisition of Stratos by CIP Canada on 11 December 2007 was accounted for on a provisional basis in the Group's annual financial statements for the year ended 31 December 2007. The final fair value allocation of these assets and liabilities has now been finalised. Consequently, the 11 December 2007 acquisition balance sheet and the 31 December 2007 results have been restated to reflect the final fair value allocation of the assets and liabilities of Stratos following the fair value review. Refer to note 9 for further details of the transaction and the fair value allocation.

The preparation of the condensed consolidated interim 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, events or actions, the actual results ultimately may differ from those estimates.

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

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### *Comparatives*

The Group previously classified 'Work performed by the Group and capitalised' within 'Cash flow from operating activities'. Management believes that the inclusion as part of 'Cash flow from investing activities' is a fairer representation of the Group's activities and as a result, US\$8.5m of cash flow for the half year ended 30 June 2007 has been reclassified from 'Cash flow from operating activities' to 'Cash flow from investing activities' to conform with our half year ended 30 June 2008 interim presentation.

### **3. Consolidation of CIP UK and its Subsidiaries**

The condensed consolidated interim results for the half year ended 30 June 2008 include the financial results of CIP UK Holdings Limited ("CIP UK") and its subsidiaries including Stratos ("CIP").

On 11 December 2007, Inmarsat Finance III Limited ("Inmarsat III"), a wholly owned subsidiary of Inmarsat plc, provided a loan of US\$269.0m to CIP UK to fund the acquisition of Stratos (the "Loan Facility") by its wholly-owned subsidiary, CIP Canada. On this date, CIP granted Inmarsat III an option to acquire the entire issued share capital of CIP UK (the "Call Option"). The Call Option is only exercisable after 14 April 2009, when certain of Inmarsat's distribution agreements expire, and terminates on 31 December 2010. The Call Option is exercisable for a payment of between US\$750,000 and US\$1.0m.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends from CIP UK, under IFRS (more specifically *Standing Interpretations Committee ("SIC") 12 Consolidation – Special Purpose Entities ("SPE")*), the Group is required to consolidate the financial results of CIP UK, as it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the residual risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option.

We have accounted for the combination of Inmarsat and CIP using the purchase method of accounting in accordance with *IFRS 3, 'Business Combinations'*. Results of operations for CIP had been included in the consolidated income statement for the Group for the period 11 December 2007 to 31 December 2007 (21 days of activity) and have been included for the half year ended 30 June 2008.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Non-controlling interests in the net assets of CIP are identified separately from the equity attributable to shareholders of Inmarsat plc. Non-controlling interests consist of the amount of those interests at the date of acquisition, which represents the maximum amount of US\$1.0m payable by Inmarsat III on exercise of the option and a minority interest in one of CIP's subsidiaries. This amount will not vary materially with the results of Stratos.

### **4. Segment information**

The Group operates primarily in two business segments being the supply of mobile satellite communications services ("MSS") and the supply of Broadband services.

'Other' principally comprises income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### Primary reporting format—Business segments

(US\$ in millions)	2008 Half year (unaudited)				Total
	Mobile satellite communications services	Broadband	Other	Unallocated	
Revenue <sup>(a)</sup>	428.8	55.6	1.1	–	485.5
Segment result (operating profit)	156.6	(0.3)	–	–	156.3
Net interest charged to the Income Statement	–	–	–	(68.5)	(68.5)
Profit before income tax					87.8
Income tax expense					(28.9)
Profit for the year					58.9
Segment assets <sup>(b)</sup>	2,608.2	125.8	–	115.2	2,849.2
Segment liabilities	(324.9)	(28.8)	–	(1,784.2)	(2,137.9)
Capital expenditure <sup>(c)</sup>	(92.7)	(2.1)	–	–	(94.8)
Depreciation	(81.0)	(3.4)	–	–	(84.4)
Amortisation of intangible assets	(22.7)	(0.7)	–	–	(23.4)

(a) Revenue from the sale of user terminals is classified as either MSS or Broadband revenue for the purpose of segment reporting, depending on the nature of the terminal.

(b) Following the finalisation of the fair value review, the goodwill arising on the CIP transaction has been allocated to the MSS and Broadband segments, as US\$239.9m and US\$29.6m respectively.

(c) Capital expenditure stated using accruals basis.

(US\$ in millions)	2007 Half year (unaudited)			Total
	Mobile satellite communications services	Other	Unallocated	
Revenue <sup>(a)</sup>	280.0	4.2	–	284.2
Segment result (operating profit)	117.2	0.9	–	118.1
Net interest charged to the Income Statement	–	–	(40.3)	(40.3)
Profit before income tax				77.8
Income tax expense				(14.2)
Profit for the year				63.6
Segment assets	1,948.2	–	94.3	2,042.5
Segment liabilities	(162.0)	–	(1,154.6)	(1,316.6)
Capital expenditure <sup>(b)</sup>	(49.8)	–	–	(49.8)
Depreciation	(72.1)	–	–	(72.1)
Amortisation of intangible assets	(10.6)	–	–	(10.6)

(a) Revenue from the sale of user terminals is classified as MSS revenue for the purpose of segment reporting.

(b) Capital expenditure stated using accruals basis.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### 5. Net interest payable

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
Interest on Senior Notes and Senior Credit Facility	(15.5)	(18.7)
Accretion of principal on Senior Discount Notes	(21.4)	(19.2)
Interest on Convertible Bond	(11.0)	–
Pension and post-retirement liability finance costs	(0.4)	(1.5)
Unwinding of discount on deferred satellite liabilities	(1.4)	(1.7)
Amortisation of debt issue costs	(2.3)	(1.8)
Interest on CIP borrowings	(16.6)	–
Other interest	(1.4)	(0.4)
<b>Total interest payable and similar charges</b>	<b>(70.0)</b>	<b>(43.3)</b>
Bank interest receivable and other interest	1.5	3.0
<b>Total interest receivable and similar income</b>	<b>1.5</b>	<b>3.0</b>
<b>Net interest payable</b>	<b>(68.5)</b>	<b>(40.3)</b>

### 6. Income tax expense

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
<b>Current tax:</b>		
Current year	(21.6)	(15.3)
Adjustments in respect of prior periods	–	–
<b>Total current tax expense</b>	<b>(21.6)</b>	<b>(15.3)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(7.3)	(8.1)
Adjustments in respect of the reduction in the Corporation Tax rate from 30% to 28%	–	9.2
<b>Total deferred tax (expense)/credit</b>	<b>(7.3)</b>	<b>1.1</b>
<b>Total income tax expense</b>	<b>(28.9)</b>	<b>(14.2)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### 7. Reconciliation of movements in shareholders' equity

(US\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Other reserves	(Accumulated losses)/retained earnings	Non- controlling interest	Total
<b>Balance at 1 January 2007 (audited)</b>	<b>0.4</b>	<b>675.4</b>	–	<b>11.3</b>	<b>29.4</b>	–	<b>716.5</b>
Net fair value gains - cash flow hedges	–	–	–	13.3	–	–	13.3
Issue of share capital	–	1.6	–	–	–	–	1.6
Share options charge	–	–	–	1.4	–	–	1.4
Profit for the period	–	–	–	–	63.6	–	63.6
Dividends payable	–	–	–	–	(73.1)	–	(73.1)
Actuarial gains from pension and post-retirement healthcare benefits	–	–	–	–	9.0	–	9.0
Tax charged directly to equity	–	–	–	(3.6)	(2.8)	–	(6.4)
<b>Balance at 30 June 2007 (unaudited)</b>	<b>0.4</b>	<b>677.0</b>	–	<b>22.4</b>	<b>26.1</b>	–	<b>725.9</b>
Attributable on combination of CIP	–	–	–	–	–	1.4	1.4
Net fair value losses - cash flow hedges	–	–	–	(1.5)	–	–	(1.5)
Transfer to carrying amount of non- financial hedged item on cash flow hedges	–	–	–	(29.7)	–	–	(29.7)
Issue of share capital	–	0.1	–	–	–	–	0.1
Recognition of equity component of Convertible Bond	–	–	56.9	–	–	–	56.9
Cancellation of deferred shares	(0.1)	–	–	0.1	–	–	–
Purchase of shares by employee benefit trust	–	–	–	(10.1)	–	–	(10.1)
Share options charge	–	–	–	2.7	–	–	2.7
Profit for the year (as restated) <sup>(a)</sup>	–	–	–	–	32.7	–	32.7
Dividends payable	–	–	–	–	(52.8)	–	(52.8)
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	–	(1.7)	–	(1.7)
Tax credited directly to equity	–	–	–	8.7	0.8	–	9.5
<b>Balance at 31 December 2007 (as restated)</b>	<b>0.3</b>	<b>677.1</b>	<b>56.9</b>	<b>(7.4)</b>	<b>5.1</b>	<b>1.4</b>	<b>733.4</b>
Net fair value gains - cash flow hedges	–	–	–	3.2	–	–	3.2
Share options charge	–	–	–	3.5	–	–	3.5
Profit for the period	–	–	–	–	58.8	0.1	58.9
Dividends payable	–	–	–	–	(79.1)	–	(79.1)
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	–	(11.3)	–	(11.3)
Tax (charged)/credited directly to equity	–	–	–	(0.9)	3.6	–	2.7
<b>Balance at 30 June 2008 (unaudited)</b>	<b>0.3</b>	<b>677.1</b>	<b>56.9</b>	<b>(1.6)</b>	<b>(22.9)</b>	<b>1.5</b>	<b>711.3</b>

(a) 2007 profit for the year has been restated by US\$0.3m to reflect the revised depreciation and amortisation charge following the final fair value allocation of Stratos' assets which were acquired by CIP Canada on 11 December 2007.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### 8. Net borrowings

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

(US\$ in millions)	As at 30 June 2008 (unaudited)			As at 31 December 2007 (audited)		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
<b>Current:</b>						
Deferred satellite payments	12.2	–	12.2	12.1	–	12.1
Senior Credit Facility	160.0	–	160.0	70.0	–	70.0
CIP Senior Credit Facility	2.3	–	2.3	11.5	–	11.5
CIP Mortgage obligation	0.1	–	0.1	0.1	–	0.1
<b>Total current borrowings</b>	<b>174.6</b>	<b>–</b>	<b>174.6</b>	<b>93.7</b>	<b>–</b>	<b>93.7</b>
<b>Non-current:</b>						
Senior Credit Facility	250.0	(0.9)	249.1	250.0	(1.1)	248.9
Senior Discount Notes	427.8	(6.8)	421.0	406.7	(7.3)	399.4
—Accretion of principal	5.6	–	5.6	5.3	–	5.3
Senior Notes	163.7	(6.3)	157.4	218.8	(7.2)	211.6
Premium on Senior Notes	0.8	–	0.8	0.9	–	0.9
Deferred satellite payments	35.6	–	35.6	40.3	–	40.3
Convertible Bond	237.9	(4.8)	233.1	229.4	(5.1)	224.3
—Accretion of principal	2.1	–	2.1	2.0	–	2.0
CIP Senior Credit Facility	209.2	(3.8)	205.4	211.3	(4.3)	207.0
CIP Mortgage obligation	0.3	–	0.3	0.4	–	0.4
CIP Senior Unsecured Notes	139.5	(6.0)	133.5	150.0	(6.6)	143.4
<b>Total non-current borrowings</b>	<b>1,472.5</b>	<b>(28.6)</b>	<b>1,443.9</b>	<b>1,515.1</b>	<b>(31.6)</b>	<b>1,483.5</b>
<b>Total Borrowings</b>	<b>1,647.1</b>	<b>(28.6)</b>	<b>1,618.5</b>	<b>1,608.8</b>	<b>(31.6)</b>	<b>1,577.2</b>
Cash and cash equivalents	(115.2)	–	(115.2)	(115.0)	–	(115.0)
<b>Net Borrowings</b>	<b>1,531.9</b>	<b>(28.6)</b>	<b>1,503.3</b>	<b>1,493.8</b>	<b>(31.6)</b>	<b>1,462.2</b>

(US\$ in millions)	As at 30 June 2007 (unaudited)		
	Amount	Deferred finance cost	Net balance
<b>Current:</b>			
Bank overdraft	2.1	–	2.1
Deferred satellite payments	12.4	–	12.4
Senior Credit Facility	50.0	–	50.0
<b>Total current borrowings</b>	<b>64.5</b>	<b>–</b>	<b>64.5</b>
<b>Non-current:</b>			
Senior Credit Facility	250.0	(1.4)	248.6
Senior Discount Notes	386.7	(7.7)	379.0
—Accretion principal	5.0	–	5.0
Senior Notes	256.8	(8.1)	248.7
Premium on Senior Notes	1.0	–	1.0
Deferred satellite payments	44.7	–	44.7
<b>Total non-current borrowings</b>	<b>944.2</b>	<b>(17.2)</b>	<b>927.0</b>
<b>Total borrowings</b>	<b>1,008.7</b>	<b>(17.2)</b>	<b>991.5</b>
<b>Cash and cash equivalents</b>	<b>(94.3)</b>	<b>–</b>	<b>(94.3)</b>
<b>Net borrowings</b>	<b>914.4</b>	<b>(17.2)</b>	<b>897.2</b>



## 9. Acquisitions

On 11 December 2007, CIP Canada Investment Inc (“CIP Canada”), a wholly-owned subsidiary of Communications Investment Partners Limited (“CIP Limited”), acquired the entire issued share capital of Stratos, Inmarsat Core’s<sup>1</sup> largest distribution partner, for a consideration of \$294.0m Canadian dollars (US\$263.3m).

On the same date, Inmarsat Finance III Limited (“Inmarsat III”), a wholly owned subsidiary of Inmarsat plc, provided a loan for the full consideration paid and associated fees to CIP UK Holdings Limited (“CIP UK”) to fund the acquisition (“Transaction”) by its wholly-owned subsidiary CIP Canada (the “Loan Facility”). The Loan Facility has a 10 year term and bears interest at 5.75% per annum until 31 December 2010 (on a Pay In Kind basis to 14 April 2009) and 11.5% per annum thereafter, and is secured by means of a right of sale pledge over CIP Limited’s 100% shareholding in CIP UK.

On the same date, CIP Limited granted Inmarsat III an option to acquire the entire issued share capital of CIP UK (the “Call Option”). The Call Option is only exercisable after 14 April 2009, when certain of Inmarsat’s distribution agreements expire, and terminates on 31 December 2010. The Call Option is exercisable for a payment of between US\$750,000 and US\$1.0m. Following the acquisition of Stratos by CIP Canada, and until such time as a decision is made to exercise the Call Option, Inmarsat Core<sup>1</sup> has no control over the financial and operating policies of Stratos and it is expected to continue its current operations and business as usual.

Although Inmarsat Core<sup>1</sup> does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends of CIP UK, under IFRS (more specifically *Standing Interpretations Committee (“SIC”) 12 Consolidation – Special Purpose Entities (“SPE”)*) the Group is required to consolidate the financial results of CIP UK, as it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the residual risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option.

The Group has accounted for the combination of Inmarsat Core<sup>1</sup> and CIP using the purchase method of accounting in accordance with IFRS 3, ‘Business Combinations’. Results of operations for CIP have been included in the consolidated income statements for the Group for the periods 1 January 2008 to 30 June 2008 and 11 December 2007 to 31 December 2007.

The purchase price was allocated to assets and liabilities on a provisional basis for the year ended 31 December 2007. No fair value adjustments were made to the book values of assets and liabilities under that provisional basis.

During the period ended 30 June 2008, the allocation of the purchase consideration was finalised. As a result of this review, goodwill decreased by US\$137.8m. The decrease reflects the recognition of identifiable intangible assets of US\$197.7m, an uplift to tangible assets of US\$1.0m, a corresponding deferred tax liability of US\$59.6m and additional capitalised costs of US\$1.3m.

<sup>1</sup>Inmarsat plc and its subsidiaries excluding CIP

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

The final allocation of the purchase consideration to the net assets and liabilities of CIP, based on information up to 30 June 2008, is as follows:

(US\$ in millions)	Book value and provisional fair value	Final fair value adjustments	Final fair value
Net assets acquired:			
Intangible assets <sup>(a)</sup>	71.8	197.7	269.5
Property, plant and equipment <sup>(b)</sup>	123.8	1.0	124.8
Investments	6.8	–	6.8
Derivative financial instruments	0.3	–	0.3
Other receivables	1.0	–	1.0
<b>Total Non-current assets</b>	<b>203.7</b>	<b>198.7</b>	<b>402.4</b>
Cash and cash equivalents	56.0	–	56.0
Trade and other receivables	163.7	–	163.7
Inventories	11.2	–	11.2
Derivative financial instruments	0.2	–	0.2
<b>Total Current assets</b>	<b>231.1</b>	–	<b>231.1</b>
Borrowings	(2.4)	–	(2.4)
Trade and other payables	(149.4)	–	(149.4)
Current income tax liabilities	(8.2)	–	(8.2)
Derivative financial instruments	(1.0)	–	(1.0)
<b>Total Current liabilities</b>	<b>(161.0)</b>	–	<b>(161.0)</b>
Borrowings	(359.9)	–	(359.9)
Other payables	(4.0)	–	(4.0)
Provisions	(10.7)	–	(10.7)
Deferred income tax liabilities <sup>(c)</sup>	(23.9)	(59.6)	(83.5)
<b>Total Non-current liabilities</b>	<b>(398.5)</b>	<b>(59.6)</b>	<b>(458.1)</b>
<b>Identifiable net assets</b>	<b>(124.7)</b>	<b>139.1</b>	<b>14.4</b>
Goodwill <sup>(d)</sup>	407.3	(137.8)	269.5
	<b>282.6</b>	<b>1.3</b>	<b>283.9</b>
<b>Represented by:</b>			
Consideration	293.0	–	293.0
Less: hedge accounting gains	(29.7)	–	(29.7)
Directly attributable costs <sup>(e)</sup>	17.9	1.3	19.2
Non-controlling interests	1.4	–	1.4
	<b>282.6</b>	<b>1.3</b>	<b>283.9</b>

(a) The increase in intangible assets consists of US\$16.8m of trade names, US\$18.4m of internally developed technology and US\$162.5m of customer relationships which are to be amortised over their useful lives of ten, five and twelve years respectively.

(b) The value of property, plant and equipment has been increased to reflect their depreciated replacement costs.

(c) The adjustment to deferred income tax liabilities reflects the deferred tax arising as a result of the fair value adjustments discussed above.

(d) Goodwill comprises the difference between the purchase consideration and the fair value of the net assets acquired.

(e) An increase in directly attributable costs is as a result of the completion of the Transaction and finalisation of the associated costs.

## NOTES TO THE CONSOLIDATED FINANCIAL RESULTS (continued)

### 10. Dividends

(US\$ in millions)	2008 Half year (unaudited)	2007 Half year (unaudited)
Final dividend for the year ended 31 December 2007 of 17.33 cents (US\$) (2006: 16.00 cents (US\$)) per share	79.1	73.1

In May 2008, a final dividend of 17.33 cents (US\$) for the 2007 financial year (2007: 16.00 cents (US\$) for the 2006 financial year) per share was paid to shareholders. The Board intends to declare and pay an interim dividend of 12.13 cents (US dollars) per ordinary share on 24 October 2008 to ordinary shareholders on the Register at the close of business on 26 September 2008. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS10, this dividend has not been recognised as a liability for the half year ended 30 June 2008.

### 11. Earnings per share

Basic and diluted earnings per share is based on a weighted average number of ordinary shares in issue of 457,066,617 and potentially in issue of 484,412,397, respectively (2007: 457,035,470 and 460,001,272). At 30 June 2008, there were a total of 458,400,172 ordinary shares in issue.

### 12. Contingent liabilities / Contingent assets

During 2007, an assessment was made against us for VAT payable in relation to the sale of our head office which took place in 2004. The total amount of the assessment, including penalties is estimated to be in the region of US\$20.0m–US\$24.0m. We have sought external advice and are appealing the assessment as well as considering other strategies to mitigate the position. We do not believe that a material loss is probable, and therefore no provision has been made in these financial statements. We cannot currently estimate the amount of time that will be required to settle this matter.

Other than the issue discussed above, there were no material contingent assets or liabilities at 30 June 2008.

## **INDEPENDENT REVIEW REPORT TO INMARSAT PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, the condensed consolidated statement of recognised income and expense, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 (UK and Ireland) issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor  
6 August 2008  
London