INMARSAT GROUP LIMITED

Consolidated financial results for the three months and half year ended

June 30, 2004

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Forward-Looking Statements

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

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause our actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from our current expectations include those risk factors disclosed in our Form F-4 Registration Statement filed with the Securities and Exchange Commission on July 13, 2004.

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

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Operating and Financial Review and Prospects

The following is a discussion of the consolidated results of operations and financial condition of Inmarsat Group Limited (the "Group") and its predecessor Inmarsat Ventures plc (now Inmarsat Ventures Limited). You should read the following discussion together with the whole of this document including the historical consolidated financial statements and the annexes. Those historical financial statements were prepared in accordance with UK GAAP, which differs in a number of respects from U.S. GAAP. For a summary of the material differences between UK GAAP and U.S. GAAP relevant to the historical consolidated financial statements of the Group and our predecessor and a reconciliation of certain items under UK GAAP to U.S. GAAP see Annex 2.

Overview

We are a leading provider of global mobile satellite communications services. We have been designing, implementing and operating satellite networks for over 23 years. During the periods presented below, we generated more than 80% of our total revenues from mobile satellite voice and data services, including telephony, fax, video, email, and intranet and internet access. End users of our mobile satellite services operate at sea, on land and in the air.

We also lease excess capacity on our satellites. Typically our capacity leases are short-term, with terms of up to one year, although they can be as long as five years. In addition we lease specialised navigation transponders, primarily for use in commercial aviation, for up to five years.

The remainder of our revenues, classified as "other", relate primarily to VSAT services and maritime communication services businesses conducted by our Invsat and Rydex subsidiaries respectively.

We report our results of operations in US dollars.

Acquisition

In connection with the acquisition of Inmarsat Ventures plc in December 2003, Inmarsat Investments Limited (a 100% subsidiary of Inmarsat Group Limited) has incurred $1,277.5 million of third party indebtedness. This indebtedness is comprised of $800.0 million of term borrowings under the Senior Credit Agreement and $477.5 million under the Senior Notes.

In addition, in connection with the acquisition Inmarsat Group Limited recorded approximately $299.5 million of goodwill, $33.0 million of identifiable intangibles and an increase of $158.1 million in the book value of tangible fixed assets, which, in accordance with UK GAAP, it will amortise or depreciate over varying periods.

The interest, amortisation and depreciation charges that result from the acquisition have an important and significant impact on the financial results of the Group, and must be borne in mind when comparing our results for the three months ended June 30, 2004 to the corresponding 2003 period results and financial condition of the predecessor company.

Recent Business Review

As a result of a review of our business operations in the first quarter of 2004 we have implemented a programme to realign certain activities to increase our focus on key end user segments and improve other areas of our operations. The programme will yield net operating cost savings across several of our activities. Further details are given in the 'Other Operating Costs' section below.

INMARSAT GROUP LIMITED

Consolidated financial results for the three months and half year ended June 30, 2004

Revenues

Revenues for the three months ended June 30, 2004 were $123.7 million, a decrease of $14.9 million, or 10.8%, as compared with the three months ended June 30, 2003.

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(US$ in millions)			
Revenues from satellite communications services				
Maritime sector:				
voice services	27.5	28.3	53.8	57.8
data services	36.8	34.0	71.2	66.5
Total maritime sector	64.3	62.3	125.0	124.3
Land sector:				
voice services	7.0	10.8	14.7	19.8
data services	31.3	39.1	58.3	64.8
Total land sector	38.3	49.9	73.0	84.6
Aeronautical sector	4.2	2.9	8.0	6.1
Total satellite communications services	106.8	115.1	206.0	215.0
Leasing (incl. navigation)	13.8	17.4	27.8	32.1
Other	3.1	6.1	6.5	11.8
Total revenue	123.7	138.6	240.3	258.9

	As At June 30,	
	2004	2003
Active terminals (1)	(000's)	
Maritime	105.4	99.0
Land	73.0	75.6
Aeronautical	5.9	5.2
	184.3	179.8

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

During the three months ended June 30, 2004, revenues from satellite communications services were $106.8 million, a decrease of $8.3 million, or 7.2%, as compared with the three months ended June 30, 2003. The maritime, land and aeronautical sectors accounted for 60.2%, 35.9% and 3.9% of total revenues from satellite communication services, respectively during the three months ended June 30, 2004.

Maritime Sector. During the three months ended June 30, 2004, revenues from the maritime sector were $64.3 million, an increase of $2.0 million, or 3.2%, as compared with the three months ended June 30, 2003. The increase principally reflects an increase in data revenue which was partially offset by decreased voice revenue. Revenues from voice services in the maritime sector during the three months ended June 30, 2004 were $27.5 million, a decrease of $0.8 million, or 2.8%, as compared to the three months ended June 30, 2003. The decrease in revenues from voice services primarily reflects our ongoing migration of users from our higher-priced analogue services to our lower-priced digital services and competition from hand-held operators. Revenues from data services in the maritime sector during the three months ended June 30, 2004 were $36.8 million, an increase of $2.8 million, or 8.2%, as compared to the three months ended June 30, 2003. The increase in revenues from data services reflects increased demand, partly as a result of the introduction of our Fleet services, which have enhanced the communications services we provide to the maritime sector.

Land Sector. During the three months ended June 30, 2004, revenues from the land sector were $38.3 million, a decrease of $11.6 million, or 23.2%, as compared with the three months ended June 30, 2003. The second quarter 2003 experienced exceptionally high land revenue as a result of the conflict in Iraq.

Revenues from voice services in the land sector during the three months ended June 30, 2004 were $7.0 million, a decrease of $3.8 million, or 35.2%, compared to the three months ended June 30, 2003. Compared to the previous three months ended March 31, 2004 land voice revenue decreased by $0.7 million, or 10.0%, illustrating an underlying decrease in traffic volumes from land voice services resulting from competition from operators of hand-held satellite telephones who offer lower-priced voice services.

Revenues from data services in the land sector during the three months ended June 30, 2004 were $31.3 million, a decrease of $7.8 million, or 19.9%, compared to the three months ended June 30, 2003. However this represented an increase of $4.3 million, or 15.9%, compared to the previous quarter ending March 31, 2004. This increase reflects an 8% increase in usage of our Global Area network (GAN) service over the previous quarter, as well as the start of a new pricing period for satellite communication services at the beginning of April.

Aeronautical Sector. During the three months ended June 30, 2004, revenues from the aeronautical sector were $4.2 million, an increase of $1.3 million, or 44.8%, as compared with the three months ended June 30, 2003. The increase can be attributed primarily to our Swift64 high speed data service, which is a service that targets the government aircraft and business jet markets.

Global security events in recent years have had a positive effect on the Group's revenues, particularly in the land sector. In 2003, despite decreased demand for our services from Afghanistan and neighboring countries, revenues were higher than in the previous year because of demand fed by the conflict in Iraq. This has continued in the early part of 2004, although to a lesser degree, reflecting a continued level of activity in the Middle East region. It is unclear whether the level of this demand will continue in future periods. Although a portion of these revenues may be sustainable, a decrease in global security activity in the region may have a corresponding impact on future revenues and results of operations.

Leasing

During the three months ended June 30, 2004, revenues from leasing were $13.8 million, a decrease of $3.6 million, or 20.7%, as compared with the three months ended June 30, 2003. The decrease principally resulted from a lower level of short-term leasing of satellite capacity by government users.

Other revenues

We classify revenues generated by our subsidiaries, Invsat Limited and Rydex Corporation Limited, as "other" revenues. Invsat Limited provides integrated communications networks and systems using VSATs (transportable terminals that access broadband services provided over satellite systems operating in the C-band and Ku-band radio frequencies), principally to end users in the oil and gas sector. Rydex Corporation Limited develops e-mail and data communications software tailored for use in the maritime sector. During the three months ended June 30, 2004, other revenues were $3.1 million, a decrease of $3.0 million, or 49.2%, as compared with the three months ended June 30, 2003. This decrease primarily resulted from continued lower demand from the oil and gas sector.

Depreciation and amortisation

During the three months ended June 30, 2004, depreciation and amortisation was $43.7 million, an increase of $9.0 million, or 25.9%, as compared with the three months ended June 30, 2003. The increase in depreciation is principally a result of the uplift in the value of certain tangible and intangible assets resulting from a fair value review in connection with the acquisition in December 2003.

Other net operating costs

During the three months ended June 30, 2004, other net operating costs were $39.3 million, an increase of $1.5 million, or 4.0%, as compared with the three months ended June 30, 2003. During the second quarter of 2004, a number of cost activities, such as marketing programmes, which we expense as incurred, were delayed while we implemented organisational changes. With the Business Review now completed, these activities have restarted, and will contribute to costs during the remainder of 2004. As a result of this, and scheduled increases in the costs of our Thuraya lease, other net operating costs for the six-month period ended June 30, 2004 should not be relied upon as a guide to other net operating costs for the remainder of 2004.

The table below sets forth the components of other net operating costs during the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(US$ in millions)			
Staff costs	17.5	17.2	35.7	32.8
Severance costs	5.0	-	6.9	-
Network and satellite operations	11.7	10.0	23.9	17.7
Other external costs	12.7	17.7	32.3	36.1
Own work capitalised	(6.1)	(4.7)	(11.7)	(10.0)
Other operating income	(1.5)	(2.4)	(3.2)	(4.3)
Total other net operating costs	39.3	37.8	83.9	72.3

Staff costs during the three months ended June 30, 2004 were $17.5 million, an increase of $0.3 million as compared to June 30, 2003. Severance costs in connection with the Business Review were $5.0 million, comprising a number of redundancies made in May 2004. During the three months ended June 30, 2004 the number of employees in the core operating business was reduced from 458 to 398.

The increase in network and satellite operations costs during the three months ended June 30, 2004 of $1.7 million compared to June 30, 2003, relates primarily to the effect of payments under the Thuraya lease (which provides satellite capacity for our Regional BGAN service). The Thuraya lease commenced in November 2002 with the number of channels used (and charges incurred) increasing during the 2003 and 2004 years. In the three months ended June 30, 2003 a one-off charge was made of $2.3 million relating to warranty costs on our Regional BGAN user terminals.

The decrease in other external costs of $5.0 million relates mainly to a decrease in the direct cost of sales in our subsidiary Invsat, reflecting the lower revenues and a recent cost saving exercise, and a foreign exchange loss in 2003. Furthermore during the second quarter 2004 the implementation of the Business Review and reorganisation of activities is expected to have delayed certain expenditure, which will instead fall in the third and fourth quarters.

The increase in own work capitalised of $1.4 million relates principally to increased activity surrounding our Inmarsat-4 satellite programme and development of our BGAN service.

The decrease in other operating income of $0.9 million relates primarily to lower Regional BGAN user terminal sales than in 2003.

EBITDA

As a result of the factors discussed above, EBITDA for the three months ended June 30, 2004 was $84.4 million, a decrease of $16.4 million, or 16.3%, as compared with the three months ended June 30, 2003. The calculation of EBITDA is given in Note 3 of Annex 1.

Group operating profit

As a result of the factors discussed above, group operating profit during the three months ended June 30, 2004 was $40.7 million, a decrease of $25.4 million, or 38.4%, as compared with the three months ended June 30, 2003.

Net interest payable

During the three months ended June 30, 2004, net interest payable was $37.7 million, an increase of $38.5 million, as compared with the three months ended June 30, 2003. Interest payable for the three months ended June 30, 2004 was $38.4 million, as compared to $0.6 million in the three months ended June 30, 2003. The increase in net interest payable is attributable primarily to financing costs associated with the acquisition in December 2003.

Interest payable for the second quarter includes $19.0 million interest accrued on the subordinated parent company loan and $2.1 million of other non-cash interest items. Interest capitalised on the Inmarsat-4 satellite construction programme in the six months ended June 30, 2004 was $2.7 million compared to $1.2 million in the six months ended June 30, 2003. The decrease in interest receivable of $0.7 million is the result of a credit arising on the revaluation of cross currency swaps held at June 30, 2003 but which have since been terminated. The components of net interest are shown in Note 4 of Annex 1.

Taxation

The tax charge for the three months ended June 30, 2004 was $3.7 million, as compared to a $18.2 million tax charge in the three months ended June 30, 2003. The decrease in tax charge is largely driven by a reduction in profit before tax, with a profit of $3.0 million for the three months ended June 30, 2004 compared to a profit of $66.9 million for the three months ended June 30, 2003. The effective tax rate for the Group is higher in 2004 than in 2003 because additional depreciation and amortisation charges relating to the acquisition, $11.0 million for the three months to June 30, 2004, are not tax deductible. The effective rate of tax applied in 2004 is 30%.

Liquidity and capital resources

Historically, our principal uses of cash have been for capital expenditure, to fund the development, marketing and distribution of new services and to fund our working capital requirements. Those requirements were met by cash flows from our operating activities as well as from borrowings under bank facilities. Following the acquisition and related transactions, our indebtedness and debt service obligations have increased significantly. An analysis of net debt is given in Note 5 of Annex 1.

The following table sets out our cash flows for the three months and half years ended June 30, 2004 and 2003.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(US$ in millions)			
Net cash provided by operating activities after interest and tax	54.0	95.3	41.8	176.3
Net cash used in investing activities	(24.0)	(23.8)	(70.8)	(91.9)
Net cash (used in)/provided by financing activities	9.7	0.2	19.5	(0.6)
(Increase) in short-term deposits	(36.0)	(76.9)	(83.0)	(83.9)
Increase/(decrease) in cash during the period	3.7	(5.2)	(92.5)	(0.1)

The Group ended the first half of 2004 with cash, short-term deposits and restricted cash of $274.2 million. Restricted cash principally comprises amounts held in a charged account to fund capital expenditure of $162.7 million. The Group had gross external debt at June 30, 2004 of $1,277.5 million comprising drawings on the senior facilities of $800.0 million and Senior Notes outstanding in principal amount of $477.5 million.

Operating activities

Net cash from operating activities represents net cash from operations, returns on investments and servicing of finance and taxation.

Net cash provided by operating activities was $54.0 million for the three months ended June 30, 2004, compared to net cash provided by operating activities of $95.3 million during the three months ended June 30, 2003. This is due to $16.0 million increase in interest payments, which includes $4.5 million of interest on the subordinated parent company loan in connection with the repayment made in the quarter, and payments of $6.7 million for fees and costs relating to the acquisition, its funding and the issue of Senior Notes. The remaining decrease is the result of lower revenues and operating profit.

Investing activities

Net cash used in investing activities represents cash used for capital expenditure and financial investments and cash movements resulting from acquisitions and disposals.

Net cash used in investing activities during the three months ended June 30, 2004 was $24.0 million as compared with $23.8 million for the three months ended June 30, 2003. As a result of a payment deferral agreement recently agreed with EADS Astrium, and the movement of our anticipated launch date for our first Inmarsat-4 satellite to 2005, we expect total capital expenditures for the full year 2004 to be in the range of $140 million to $160 million.

Financing activities

Net cash provided by financing activities increased by $9.5 million during the three months ended June 30, 2004 as compared with the three months ended June 30, 2003. During the three months ended June 30, 2004 $102.5 million Senior Notes were issued for $105.1 million and $95.5 million of the subordinated parent company loan was repaid.

Contractual Obligations and Commercial Commitments

The following summarises our future contractual obligations, commercial commitments and principal commitments under debt instruments as at June 30, 2004:

	Commitments by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(US$ in millions)				
Debt obligations	1,837.8	11.7	110.0	210.0	1,506.1
Capital commitments relating primarily to Inmarsat-4 satellites	325.8	136.6	103.0	6.4	79.8
Operating leases:					
Land and buildings	0.5	-	-	0.5	-
Other	46.7	6.8	34.4	4.5	1.0
Other (non-cancelable agreements)	19.6	13.7	5.9	-	-
Total contractual obligations	2,230.4	168.8	253.3	221.4	1,586.9

Recent Events

On July 29, 2004 it was announced that the group's Chief Financial Officer, Dr Ramin Khadem had decided to take early retirement and will leave the group on September 30, 2004 and stand down as a Director as at 30 July 2004. On August 2, 2004 we announced the appointment of Mr Rick Medlock as an Executive Director and Chief Financial Officer with effect from September 27, 2004.

INMARSAT GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
	(US$ in millions)			
Revenues from continuing operations	**123.7**	**138.6**	**240.3**	**258.9**
Depreciation and amortisation	(43.7)	(34.7)	(87.8)	(67.8)
Other net operating costs	(39.3)	(37.8)	(83.9)	(72.3)
Total operating costs	**(83.0)**	**(72.5)**	**(171.7)**	**(140.1)**
Group operating profit	**40.7**	**66.1**	**68.6**	**118.8**
Interest receivable and similar income	0.7	1.4	1.3	1.8
Interest payable and similar charges	(38.4)	(0.6)	(80.5)	(2.8)
Profit/ (loss) on ordinary activities before taxation	**3.0**	**66.9**	**(10.6)**	**117.8**
Taxation	(3.7)	(18.2)	(3.4)	(35.4)
(Loss)/Profit on ordinary activities after taxation	**(0.7)**	**48.7**	**(14.0)**	**82.4**

Note – 2003 comparative information relates to the predecessor company, Inmarsat Ventures plc.

INMARSAT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS

	As at June 30, 2004	As at December 31, 2003
	(US$ in millions)	
Fixed assets		
Intangible assets	381.4	386.5
Tangible assets	1,395.9	1,380.0
Total fixed assets	**1,777.3**	**1,766.5**
Current assets		
Stocks	2.6	2.1
Debtors	153.6	144.6
Short-term investments	102.2	19.2
Restricted cash	165.3	162.7
Cash at bank and in hand	8.4	102.5
Total current assets	**432.1**	**431.1**
Creditors – amounts falling due within one year		
Other creditors	(119.5)	(206.3)
Loans and other borrowings	(1.7)	(365.6)
Total creditors: amounts falling due within one year	**(121.2)**	**(571.9)**
Net current assets/(liabilities)	**310.9**	**(140.8)**
Total assets less current liabilities .	**2,088.2**	**1,625.7**
Creditors – amounts falling due after more than one year		
Other creditors	(93.2)	(33.8)
Loans and other borrowings	(1,794.5)	(1,392.6)
Total creditors: amounts falling due after more than one year	**(1,887.7)**	**(1,426.4)**
Provisions for liabilities and charges	(179.5)	(165.1)
Net assets	**21.0**	**34.2**
Capital and reserves		
Called up share capital	0.3	0.3
Share premium account	34.2	34.2
Other reserves	2.3	1.5
Accumulated losses	(15.8)	(1.8)
Total equity shareholders' funds	**21.0**	**34.2**

INMARSAT GROUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
	(US$ in millions)			
Operating profit	**40.7**	**66.1**	**68.6**	**118.8**
Depreciation and amortisation	43.7	34.7	87.8	67.8
Decrease/(increase) in debtors	(10.4)	(32.8)	(13.8)	(20.8)
Increase/(decrease) in creditors	1.5	25.9	(19.3)	(2.6)
(Increase)/decrease in stocks	0.5	(0.7)	(0.5)	(2.8)
(Decrease)/increase in provisions	(0.9)	0.3	(0.4)	(2.3)
Net cash inflow from operating activities	**75.1**	**93.5**	**122.4**	**158.1**
Returns on investments and servicing of finance				
Interest received	0.3	1.2	0.6	1.4
Bank and Senior Notes interest paid	(11.5)	-	(23.8)	(1.2)
Subordinated parent company loan interest paid	(4.5)	-	(4.5)	-
Arrangement fees and costs of Senior Notes	(5.3)	-	(18.8)	-
Acquisition related fees and costs	(1.4)	-	(35.2)	-
Interest element of finance lease rental payments	-	-	(0.2)	(0.2)
Net cash (outflow)/inflow for returns on investments and servicing of finance	**(22.4)**	**1.2**	**(81.9)**	**-**
Tax received/(paid)	1.3	0.6	1.3	18.2
Net cash provided by operating activities after interest and tax	**54.0**	**95.3**	**41.8**	**176.3**
Capital expenditure and financial investments				
Purchase of tangible and intangible fixed assets	(24.0)	(23.8)	(70.8)	(92.5)
Net cash (outflow) for capital expenditure and financial investment	**(24.0)**	**(23.8)**	**(70.8)**	**(92.5)**
Acquisitions and disposals				
Liquidation of subsidiaries	-	-	-	0.6
Net cash inflow/(outflow) for acquisitions and disposals	**-**	**-**	**-**	**0.6**
Net cash inflow/(outflow) before management of liquid resources and financing	**30.0**	**71.5**	**(29.0)**	**84.4**
(Increase)/decrease in short-term deposits	(36.0)	(76.9)	(83.0)	(83.9)
Net cash (outflow)/inflow after management of liquid resources	**(6.0)**	**(5.4)**	**(112.0)**	**0.5**
Financing				
Movement on medium term facility	-	0.2	-	(0.6)
Capital element of finance lease rental payments	0.1	-	(0.1)	-
Repayment of subordinated parent company loan	(95.5)	-	(95.5)	-
Bridge borrowings repaid	-	-	(365.0)	-
Senior Notes issued	105.1	-	480.1	-
Net cash inflow/(outflow) from financing	**9.7**	**0.2**	**19.5**	**(0.6)**
Increase/(decrease) in cash in the period	**3.7**	**(5.2)**	**(92.5)**	**(0.1)**

Note – 2003 comparative information relates to the predecessor company, Inmarsat Ventures plc.

Annex 1 - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Background

Inmarsat Group Limited (the "Company") was incorporated on September 3, 2003 as Grapedrive Limited and changed its name to Inmarsat Group Limited on January 6, 2004.

The Company issued share capital for an aggregate amount of $34.5 million to Inmarsat Holdings Limited. The proceeds of this issue were used by the Company to acquire the issued share capital of Inmarsat Investments Limited, which was also incorporated on September 3, 2003. Other than the issue of share capital, neither Inmarsat Group Limited nor Inmarsat Investments Limited traded prior to December 17, 2003.

On December 17, 2003 an offer by Inmarsat Investments Limited to acquire all of the shares of Inmarsat Ventures plc became unconditional. This transaction has been accounted for as an acquisition in accordance with FRS 6: Acquisitions and Mergers.

Subsequent to the acquisition on December 17, 2003, substantially all funding is financed by shareholder and third party debt facilities.

The 2003 comparative information provided in the consolidated financial results for the three months and half year ended June 30, 2004 relates to the predecessor company, Inmarsat Ventures plc.

2. Basis of accounting

The principal activity of the Group is the provision of global mobile satellite communication services.

The consolidated financial information is prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The preparation of the consolidated financial information 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. The more significant estimates include provisions, pension costs and asset lives. Actual results could differ from those estimates.

3. EBITDA

Set forth below is a reconciliation of profit/(loss) from ordinary activities after taxation to EBITDA for each of the periods indicated.

	Three months ended June 30,		**Six months ended June 30,**	
	2004	**2003**	**2004**	**2003**
	(US$ in millions)			
(Loss)/Profit from ordinary activities after taxation	(0.7)	48.7	(14.0)	82.4
Add back/ (deduct):				
Taxation	3.7	18.2	3.4	35.4
Net interest payable/(receivable)	37.7	(0.8)	79.2	1.0
Depreciation and amortisation	43.7	34.7	87.8	67.8
EBITDA	84.4	100.8	156.4	186.6

4. Interest

The table below sets forth the components of interest payable and receivable during the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(US$ in millions)			
Interest and facility fees payable on bank loans and overdrafts	(0.1)	(1.2)	(0.1)	(1.8)
Interest on Senior Notes and facilities	(17.2)	-	(33.6)	-
Interest rate swaps	(2.7)	-	(5.4)	-
Other interest payable	-	-	(0.2)	(0.9)
Interest on subordinated parent company loan	(19.0)	-	(39.8)	-
Amortisation of debt issue costs	(1.5)	-	(2.8)	-
Deferred satellite liability discount	(0.6)	(0.6)	(1.3)	(1.3)
Interest capitalised on Inmarsat-4 programme	2.7	1.2	2.7	1.2
Total interest payable and similar charges	(38.4)	(0.6)	(80.5)	(2.8)
Bank interest receivable and other interest	0.7	1.4	1.3	1.8
Total interest receivable and similar income	0.7	1.4	1.3	1.8
Net interest (payable)/receivable	(37.7)	0.8	(79.2)	(1.0)

5. Net debt

The table below sets out the components of net debt for each of the periods indicated, excluding issue costs.

	As at June 30,	As at December 31,
	2004	2003
	(US$ in millions)	
Restricted cash	(165.3)	(162.7)
Cash at bank and in hand	(8.4)	(102.5)
Short-term investments	(102.2)	(19.2)
Overdrafts	1.7	0.6
Finance lease obligations	-	0.2
Bridge facility	-	365.0
Senior Notes principal	477.5	-
Senior credit facilities	800.0	800.0
Subordinated parent company loan	523.4	618.8
Net debt	1,526.7	1,500.2

Annex 2 - UK/U.S. GAAP RECONCILIATION

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"), which differ in certain material respects from generally accepted accounting principles in the United States ("U.S. GAAP").

The following table contains a summary of the material adjustments to net income/(loss) for the financial period between UK GAAP and U.S. GAAP:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(US$ in millions)			
Profit/(loss) for the financial period as reported under UK GAAP	(0.7)	48.7	(14.0)	82.4
U.S. GAAP adjustments:				
Pension plans	(0.2)	(0.2)	(0.8)	(0.7)
Forward foreign exchange contracts	(10.0)	3.4	(7.4)	(2.7)
Deferred taxation	2.0	0.4	3.9	0.4
Deferred taxation on adjustments	(4.5)	0.5	(3.1)	2.6
Development costs	(3.8)	(4.6)	(7.7)	(6.8)
Amortisation of development costs	1.9	2.3	3.8	4.0
Amortisation of goodwill	4.4	-	8.1	-
Realised foreign exchange translation	-	(2.5)	-	(2.5)
Depreciation of tangible assets	2.4	-	4.9	-
Amortisation of intangible assets	(0.3)	-	(0.7)	-
Facility fee	-	-	(4.6)	-
Capitalised interest (see Note 1)	13.5	-	27.0	-
Total adjustments	5.4	(0.7)	23.4	(5.7)
Net income/(loss) under U.S. GAAP	4.7	48.0	9.4	76.7

The following table contains a summary of the material adjustments to shareholders' funds between UK GAAP and U.S. GAAP:

	As at June 30,	As at December 31,
	2004	2003
	(US$ in millions)	
Total shareholders' funds as reported under UK GAAP	21.0	34.2
U.S. GAAP adjustments:		
Pension plans	1.7	2.5
Forward foreign exchange contracts	8.6	16.0
Interest rate swaps	(1.7)	(7.7)
Foreign exchange translation	(2.3)	(2.9)
Deferred taxation	(58.0)	(61.8)
Deferred taxation on adjustments	3.7	6.8
Development costs	(70.4)	(62.6)
Amortisation of development costs	11.8	8.0
Goodwill	(101.1)	(109.2)
Post retirement benefits	(1.9)	(1.9)
Other liabilities	1.0	1.0
Tangible assets	(52.9)	(57.9)
Intangibles	75.5	76.2
Facility fee	-	4.6
Capitalised interest (see Note 1)	27.0	-
Net U.S. GAAP adjustments	(159.0)	(188.9)
Shareholders' equity under U.S. GAAP	(138.0)	(154.7)

INMARSAT GROUP LIMITED
CONSOLIDATED BALANCE SHEETS

The table below sets forth the components of total other comprehensive income/(loss) under U.S. GAAP for each of the periods indicated:

	Three months ended June 30,		**Six months ended June 30,**	
	2004	**2003**	**2004**	**2003**
	(US$ in millions)			
Net income/(loss) under U.S. GAAP	4.7	48.0	9.4	76.7
Other comprehensive income:				
Cumulative translation adjustment	0.4	3.5	0.8	4.0
Interest rate swaps	12.8	-	6.0	-
Pension adjustment	-	-	-	0.5
Unrealised foreign exchange translation	0.5	(2.1)	0.5	(2.1)
Total other comprehensive income/(loss) under U.S. GAAP	13.7	1.4	7.3	2.4
Total comprehensive income/(loss) under U.S. GAAP	18.4	49.4	16.7	79.1

The table below sets forth the reconciliation of UK GAAP EBITDA to U.S. GAAP EBITDA for each of the periods indicated:

	Three months ended June 30,		**Six months ended June 30,**	
	2004	**2003**	**2004**	**2003**
	(US$ in millions)			
EBITDA (UK GAAP)	84.4	100.8	156.4	186.6
Adjustments:				
Pensions	(0.2)	(0.7)	(0.8)	(0.7)
Financial instruments	(10.0)	3.4	(7.4)	(2.7)
Development costs	(3.8)	(4.6)	(7.7)	(6.8)
Loan facility fee	-	-	(4.6)	-
Realised foreign exchange translation	-	(2.5)	-	(2.5)
EBITDA (U.S. GAAP)	70.4	96.4	135.9	173.9

Note 1 – Capitalised Interest

Under UK GAAP the group capitalises interest on the Inmarsat 4 satellite development programme based on the weighted average interest rate on all outstanding directly attributable external borrowings applied to the post-acquisition cumulative cash expenditures. Under U.S. GAAP, this capitalisation rate is applied to the total cumulative cash expenditures, as SFAS 34 requires interest capitalisation on all capital expenditures for discrete projects regardless if certain amounts of capital expenditures are acquired through a business acquisition. Prior to the acquisition there was no difference in the accounting under UK and U.S. GAAP. Included in the above reconciliations is $13.5 million of interest capitalised relating to the three months ended March 31, 2004, which was not previously reported under U.S. GAAP. The difference in interest capitalised in the three months ended June 30, 2004 is also $13.5 million. Interest capitalised is taxable and corresponding amounts have been put through 'Deferred taxation on adjustments' for the respective periods.

Annex 3 - RISK FACTORS

Many statements contained in this report are forward-looking in nature. These statements are based on current plans, intentions or expectations. Key risks to our Company are described in our Form F-4 Registration Statement filed with the Securities and Exchange Commission on July 13, 2004.