inmarsat

Interim Report 2006

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 current expectations include those risk factors disclosed in the Form 20-F Annual Report for Inmarsat Holdings Limited for the year ended 31 December 2005 as filed with the Securities and Exchange Commission on 28 April 2006.

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.

Inmarsat is the leading provider of global mobile satellite communications services, providing data and voice connectivity to end-users worldwide. Inmarsat has more than 27 years experience in designing, launching and operating its satellite-based network. We have a fleet of ten owned and operated geostationary satellites and provide a wide range of data and voice services, including telephony, fax, video, email and high-speed intranet and internet access. Our new Broadband Global Area Network ("BGAN") service offers simultaneous voice and broadband data usage from light, highly portable terminals across 85% of the world's landmass, covering approximately 98% of the world's population.

Chairman and Chief Executive's statement

Overview

Revenues for the half year ended 30 June 2006 were US$245.9 million, a reduction of US$7.7 million or 3% compared with the half year ended 30 June 2005. In 2005, we disposed of two subsidiary companies. Revenues excluding these two subsidiaries increased by 0.4%, from US$244.8 million to US$245.9 million.

Our operating profit and EBITDA for the half year ended 30 June 2006 were US$87.5 million and US$162.8 million respectively. Our results are reported in US dollars as the majority of revenues and borrowings are denominated in US dollars.

The Board intends to declare and pay an interim dividend of 10.66 cents (US dollars) per ordinary share on 27 October 2006 to shareholders on the Register at the close of business on 29 September 2006. 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 2006.

A final dividend of 10.95 cents (US dollars) per ordinary share (total dividend US$49.8 million) for the 2005 financial year as recommended by the Board was approved and paid to shareholders on 26 May 2006.

In May 2006, we appointed Ms Kathleen Flaherty as an independent, non-executive director of the Company and she has also been appointed as a member of the Remuneration Committee. Kathleen has extensive previous international experience and we welcome her as a director.

After many years' service from Pricewaterhouse-Coopers LLP and its predecessor firms, the Board decided during the first half of 2006 that it would be appropriate to carry out a competitive tender process for the statutory audit of the Group and we subsequently appointed Deloitte & Touche LLP ("Deloitte") to this position. Deloitte have reviewed the unaudited financial information for the period ended 30 June 2006 and their report is included within this Interim Report. A resolution proposing their appointment by shareholders will be put to the Annual General Meeting in 2007.

Key operational highlights

During the half year ended 30 June 2006, revenues from mobile satellite communication services were US$242.4 million, an increase of US$0.9 million or 0.4% compared with the half year ended 30 June 2005. This is as a result of growth in the maritime and aeronautical sectors offset by a decline in the land and leasing sectors. The maritime, land, aeronautical and leasing sectors accounted for 58%, 25%, 6% and 11% of total revenues from mobile satellite communication services respectively during the half year ended 30 June 2006. Active terminals increased by 7% between 30 June 2005 and 30 June 2006.

The second Inmarsat-4 satellite, F2, which was launched in November 2005, entered commercial service in January 2006 and now carries existing services and the new Broadband Global Area Network ("BGAN") service in the Atlantic Ocean Region, including the Americas. This means that the Group's BGAN service is now available across 85% of the world's landmass, covering approximately 98% of the world's population.

Revenues

During the half year ended 30 June 2005, revenues from mobile satellite services included two items which management consider to be one-off in nature. These were a license fee from the Japanese Civil Aviation Bureau ("JCAB") of US$2.1 million and the estimated additional revenues earned as a result of the Asian Tsunami (US$2.0 million). Growth in revenues from mobile satellite services excluding these two amounts was US$4.9 million, or 2.1%. Revenues are impacted by volume discounts that increase over the course of the financial year. There are lower discount levels in early months representing the minimum annual discount and higher discount levels in later months as distribution partners meet specific volume thresholds, resulting in lower prices beyond the level of the minimum annual discount. Additionally, in 2006 and future years, the total amount of volume discounts will be affected by the takeover of one distribution partner, Xantic by another, Stratos which serves to increase the amount of revenues attributed to a single distribution partner.

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

	Half year	
(US$ in millions)	**2006**	2005
Revenues		
Maritime sector:		
voice services	50.2	52.0
data services	90.8	82.1
Total maritime sector	**141.0**	**134.1**
Land sector:		
voice services	10.7	12.4
data services	49.0	53.4
Total land sector	**59.7**	**65.8**
Aeronautical sector	14.4	10.6
Leasing (incl. navigation)	27.3	31.0
Total mobile satellite communications services	**242.4**	**241.5**
Subsidiary revenues (disposed of)	-	8.8
Other income	3.5	3.3
Total revenue	**245.9**	**253.6**

	Half year	
	2006	2005
Active terminals (1)	**(000's)**	
Maritime	128.5	118.3
Land	73.7	71.9
Aeronautical	7.2	6.4
Total active terminals	**209.4**	**196.6**

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

Maritime sector

During the half year ended 30 June 2006, revenues from the maritime sector were US$141.0 million, an increase of US$6.9 million or 5% compared with the half year ended 30 June 2005. This principally reflects an increase in data revenue and a decrease in voice revenue. Revenues from data services in the maritime sector during the half year ended 30 June 2006 were US$90.8 million, an increase of US$8.7 million or 11% compared with the half year ended 30 June 2005. The increase in revenues from data services reflects continued take-up and strong usage of our Fleet services. Demand for Fleet terminals has also been driven by growth in the global shipping fleet new-build market. Revenues from voice services in the maritime sector during the half year ended 30 June 2006 were US$50.2 million, a decrease of US$1.8 million or 3% compared with the half year ended 30 June 2005. Historically our voice revenues for the maritime sector have been affected by the migration of users from our higher priced analogue service to our lower priced digital services and to a lesser extent by competition. This has been offset by growth in both our newer Fleet service and various promotions that we have initiated to respond to increased competition in certain of our established services.

Land sector

During the half year ended 30 June 2006, revenues from the land sector were US$59.7 million, a decrease of US$6.1 million or 9% compared with the half year ended 30 June 2005. Revenues from data services in the land sector during the half year ended 30 June 2006 were US$49.0 million, a decrease of US$4.4 million or 8% compared with the half year ended 30 June 2005. The decrease in revenues from data services in the land sector is a result of a decline in GAN high-speed data traffic following a reduction in traffic in the Middle East and competition from VSAT. It also reflects the recording in the half year ended 30 June 2005 of an estimated US$2.0 million relating to the Tsunami disaster in Asia which has not recurred in 2006. These reductions were partially offset by strong demand and usage of R-BGAN across both the Inmarsat-4 F1 and F2 satellite footprints and, to a lesser extent, by initial traffic from the new BGAN service. We have also appointed new distributors for the BGAN service. Revenues from voice services in the land sector during the half year ended 30 June 2006 were US$10.7 million, a decrease of US$1.7 million or 14% compared with the half year ended 30 June 2005. This continues the trend seen over the last few years of declining voice traffic volumes resulting from competition, principally for the mini-M and large antennae mini-M services, from operators of hand-held satellite telephones who offer lower-priced voice services.

Aeronautical sector

During the half year ended 30 June 2006, revenues from the aeronautical sector were US$14.4 million, an increase of US$3.8 million or 36% compared with the half year ended 30 June 2005. The increase in revenues from this sector continues to be attributed primarily to strong take-up of 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 July 2006, the Group signed OnAir as its first SwiftBroadband distribution partner to deliver GSM, SMS, GPRS and internet services to short and long haul airline passengers. This service is expected to commence in 2007 with trials already announced with Air France, TAP and bmi in Europe. OnAir is a joint venture between SITA and Airbus.

Leasing

During the half year ended 30 June 2006, revenues from leasing were US$27.3 million, a decrease of US$3.7 million or 12% compared with the half year ended 30 June 2005. This is primarily as a result of the recording in 2005 of a one-off license fee of US$2.1 million received from the Japanese Civil Aviation Bureau. The number and value of leasing contracts in place at any one time can vary from period to period giving rise to variations in the level of leasing revenues. Following a number of recent contract signatures, we remain confident regarding the outlook in this sector.

Subsidiary and other income

During 2006, there was no revenue from subsidiaries as they were disposed of in 2005 (2005: US$8.8 million). Other income was largely unchanged from the same period last year at US$3.5 million.

Financial results

Net operating costs in the half year ended 30 June 2006 were US$83.1 million, an increase of US$1.3 million or 1.6% compared with the half year ended 30 June 2005.

Employee benefits costs before an organisational restructuring programme, which occurred during the half year ended 30 June 2006 were US$41.8 million, a decrease of US$2.7 million or 6% compared with the half year ended 30 June 2005. During the half year ended 30 June 2006, the Group recognised US$6.8 million of termination costs related to the restructuring programme (2005: US$nil). On a full year basis, it is estimated that this will generate annual savings of US$8.7 million.

Network and satellite operations costs during the half year ended 30 June 2006 were US$15.0 million compared to US$24.0 million during the half year ended 30 June 2005. The decrease was due to the absence of leasing satellite capacity costs for our R-BGAN service, offset in part by the incurrence of additional warranty and other operational costs relating to our Inmarsat-4 ground infrastructure that were not incurred to the same extent in 2005.

During the half year ended 30 June 2006, other operating costs were US$26.3 million, a decrease of US$1.0 million or 4% compared with the half year ended 30 June 2005. Costs in the half year ended 30 June 2006 include an amount of US$2.1 million, which is non-cash and non-recurring in nature, reflecting an adjustment to record operating lease costs on the Group's London head office on a straight-line basis for the full year 2005. There were no subsidiary operating costs in the half year ended 30 June 2006 (2005: US$5.7 million).

Own work capitalised during the half year ended 30 June 2006 was US$6.8 million, a decrease of US$7.2 million or 51.4% compared with the half year ended 30 June 2005. Capitalisable expenditure has decreased following the commencement of the BGAN service over the Inmarsat-4 satellites.

As a result of the factors discussed above, EBITDA for the half year ended 30 June 2006 was US$162.8 million, a decrease of US$9.0 million or 5% compared with the half year ended 30 June 2005. EBITDA margin has decreased to 66% for the half year ended 30 June 2006 compared to 68% for the half year ended 30 June 2005.

During the half year ended 30 June 2006, depreciation and amortisation was US$75.3 million, an increase of US$25.6 million or 52% compared with the half year ended 30 June 2005. The increase relates to the additional depreciation on both the first (from June 2005) and second (from February 2006) Inmarsat-4 satellites following commencement of commercial service, in addition to various elements of the associated ground infrastructure also now being depreciated.

As a result of the factors discussed above, operating profit during the half year ended 30 June 2006 was US$87.5 million, a decrease of US$34.6 million or 28% compared with the half year ended 30 June 2005, the majority of which is accounted for by the higher depreciation charge.

Interest payable for the half year ended 30 June 2006 was US$44.5 million, a decrease of US$59.9 million compared with the half year ended 30 June 2005. Interest receivable for the half year ended 30 June 2006 was US$4.5 million, a decrease of US$43.3 million compared with the half year ended 30 June 2005.

During the half year ended 30 June 2006, profit before income tax was US$47.5 million, a decrease of US$18.0 million compared with the half year ended 30 June 2005. The higher depreciation charges were offset in part by lower net interest costs following the favourable restructuring of the Group's debt portfolio.

The tax charge for the half year ended 30 June 2006 was US$16.2 million, compared to US$22.7 million for the half year ended 30 June 2005 and is based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The decrease in the tax charge is largely driven by a decrease in profit before tax. The decrease in the effective tax charge between the half year ended 30 June 2006 (34%) and 2005 (35%) is largely driven by permanent differences resulting from disallowable expenditures.

The Group had net borrowings at 30 June 2006 of US$892.0 million primarily comprising Senior Credit Facility drawings of US$250.0 million, Senior Notes of US$256.8 million (net of US$53.6 million Senior Notes purchased by the Group), Senior Discount Notes of US$349.5 million and deferred satellite payments of US$64.8 million, net of cash and cash equivalents and short-term deposits of US$15.1 million.

Net cash from operating activities during the half year ended 30 June 2006 was US$134.0 million compared to US$155.8 million during the half year ended 30 June 2005. The decrease primarily relates to working capital movements and to a reduction of US$7.5 million in interest income. Net cash used in investing activities during the half year ended 30 June 2006 was US$40.6 million compared with a net cash inflow from investing activities of US$63.4 million for the half year ended 30 June 2005. Net cash used in financing activities during the half year ended 30 June 2006 was US$113.7 million compared to US$217.3 million during the half year ended 30 June 2005.

During the half year ended 30 June 2006 the Group purchased US$43.6 million of Senior Notes and paid US$20.4 million of interest on Senior Notes and Facilities, a decrease of US$20.9 million on 2005 as a result of lower levels of debt following the IPO and related transactions which took place in June 2005. The Group also paid a dividend of US$49.7 million to shareholders in May 2006.

Outlook

Our core business is performing well and meeting our expectations for the year. During the half we saw continued growth in our maritime data and aeronautical sectors and improved trends in our maritime voice business. With recently signed new contracts, the outlook for leasing in the second half has improved. Our recently launched BGAN service is on track and building its contribution to revenue and active terminals. With cost expectations fully in line, we remain confident in our outlook for the rest of the year.

Andrew Sukawaty
Chairman and Chief Executive Officer
4 August 2006

Condensed consolidated interim income statement

For half year ended 30 June

(US$ in millions)	**2006 Half year (unaudited)**	2005 Half year (unaudited) (as restated)
Revenue	**245.9**	253.6
Employee benefits costs before restructuring	**(41.8)**	(44.5)
Restructuring costs including termination benefits	**(6.8)**	-
Total employee benefits costs	**(48.6)**	(44.5)
Network and satellite operations costs	**(15.0)**	(24.0)
Other operating costs	**(26.3)**	(27.3)
Work performed by the Group and capitalised	**6.8**	14.0
EBITDA	**162.8**	171.8
Depreciation and amortisation	**(75.3)**	(49.7)
Operating profit	**87.5**	122.1
Interest receivable	**4.5**	47.8
Interest payable and similar charges	**(44.5)**	(104.4)
Net interest payable	**(40.0)**	(56.6)
Profit before income tax	**47.5**	65.5
Income tax expense	**(16.2)**	(22.7)
Profit for the period	**31.3**	42.8
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents (US$) per share)		
- Basic	**0.07**	0.14
- Diluted	**0.07**	0.13

Condensed consolidated interim statement of recognised income and expense

For half year ended 30 June

(US$ in millions)	**2006 Half year (unaudited)**	2005 Half year (unaudited)
Profit for the period	**31.3**	42.8
Movement in cumulative translation reserve	**-**	(0.3)
Movement in cash flow hedge reserve	**9.4**	(10.0)
Actuarial gains/(losses) from pension and post retirement healthcare benefits	**7.1**	(0.6)
Income tax credit/(charge) on actuarial losses/(gains)	**(2.1)**	0.2
Total recognised income for the period	**45.7**	32.1

Condensed consolidated interim balance sheet

(US$ in millions)	**As at 30 June 2006 (unaudited)**	As at 31 December 2005 (audited)	As at 30 June 2005 (unaudited)(as restated)
Assets			
Non-current assets			
Property, plant and equipment	**1,294.4**	1,319.1	1,225.2
Intangible assets	**521.2**	524.5	509.2
Derivative financial instruments	**1.9**	-	3.0
	1,817.5	1,843.6	1,737.4
Current assets			
Cash and cash equivalents	**15.1**	35.3	234.0
Short-term deposits	**-**	-	0.7
Trade and other receivables	**152.4**	143.3	159.5
Inventories	**0.4**	0.3	1.2
Derivative financial instruments	**6.1**	2.3	1.4
	174.0	181.2	396.8
Total assets	**1,991.5**	2,024.8	2,134.2
Liabilities			
Current liabilities			
Trade and other payables	**137.3**	172.4	158.9
Borrowings	**36.8**	10.6	169.2
Provisions	**2.6**	0.4	0.5
Current income tax liabilities	**23.3**	23.1	14.7
Derivative financial instruments	**0.4**	3.6	0.5
	200.4	210.1	343.8
Non-current liabilities			
Other payables	**33.4**	33.8	7.1
Borrowings	**870.3**	908.9	906.3
Provisions	**34.7**	37.6	24.4
Deferred income tax liabilities	**173.3**	157.6	170.8
Derivative financial instruments	**0.4**	0.3	0.2
	1,112.1	1,138.2	1,108.8
Total liabilities	**1,312.5**	1,348.3	1,452.6
Net assets	**679.0**	676.5	681.6
Shareholders' equity			
Ordinary shares	**0.4**	0.4	0.4
Share premium	**675.3**	672.3	670.6
Other reserve	**19.9**	8.7	12.2
Accumulated losses	**(16.6)**	(4.9)	(1.6)
Total shareholders' equity	**679.0**	676.5	681.6

Condensed consolidated interim cash flow statement

For half year ended 30 June

(US$ millions)	2006 Half year (unaudited)	2005 Half year (unaudited)
Cash flow from operating activities:		
Cash generated from operations	**133.0**	147.0
Interest received	**1.4**	8.9
Income taxes paid	**(0.4)**	(0.1)
Net cash inflow from operating activities	**134.0**	155.8
Cash flow from investing activities:		
Decrease in short-term deposits	**-**	151.0
Purchase of property, plant and equipment	**(40.6)**	(87.6)
Net cash (used in)/from investing activities	**(40.6)**	63.4
Cash flow from financing activities:		
Purchase of Senior Notes	**(43.6)**	-
Dividends paid to shareholders	**(49.7)**	-
Interest paid on Senior Notes and Facilities	**(20.4)**	(41.3)
Net proceeds from issue of ordinary shares	**-**	652.3
Net proceeds of New Senior Credit Facility	**-**	244.8
Repayments of Previous Senior Credit Facilities	**-**	(737.5)
Net proceeds from issuance of Senior Notes	**-**	(0.8)
Repayment of Subordinated Preference Certificates	**-**	(334.6)
Finance lease interest paid	**-**	(0.2)
Net cash used in financing activities	**(113.7)**	(217.3)
Foreign exchange adjustment	**-**	0.2
Net (decrease)/increase in cash and cash equivalents	**(20.3)**	2.1
Movement in cash and cash equivalents:		
At beginning of year	**35.1**	231.6
Net (decrease)/increase in cash and cash equivalents	**(20.3)**	2.1
As reported on balance sheet (net of bank overdrafts)	**14.8**	233.7
At end of period, comprising:		
Cash and cash equivalents per the balance sheet	**15.1**	234.0
Bank overdrafts	**(0.3)**	(0.3)
	14.8	233.7

Notes to the condensed consolidated interim financial results

1.General information

The Company was re-registered as a public limited company and changed its name from Inmarsat Group Holdings Limited to Inmarsat plc on 27 May 2005. The Company is incorporated and domiciled in England and Wales.

The address of its registered office is 99 City Road, London, EC1Y 1AX, United Kingdom.

These unaudited condensed consolidated interim financial results were approved by the Board of Directors for issue on 4 August 2006.

The financial information for the year ended 31 December 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that 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 (3) of the Companies Act 1985.

2. Principal accounting policies and critical estimates

The unaudited interim results for the Group have been prepared in accordance with IFRS as adopted by the EU and in accordance with IAS 34 "Interim Financial Reporting".

The unaudited Group results for the half year ended 30 June 2006 have been prepared on a basis consistent with the IFRS accounting policies as set out on pages 43 to 51 of the Annual Report for the year to 31 December 2005 as available on our website www.inmarsat.com.

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

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

There have been no changes to the critical accounting estimates disclosed in the published financial statements for the year ended 31 December 2005.

3. Restatement and reclassification of results for the period ended 30 June 2005

The comparative figures presented above for the half year ended 30 June 2005 reflect the following restatement and reclassifications first made in the financial statements presented for the year ended 31 December of that year. These are as follows:

- In the financial statements at 31 December 2005, the Group restated the 2004 income tax expense to account for a US$4.2 million asset recorded incorrectly on interest deductions in that year. The effect of this restatement was to increase the total income tax expense by US$4.2 million, with a corresponding increase to the current tax liability of US$4.2 million for the 2004 financial year. This restatement also reduces net assets at 30 June 2005 by US$4.2 million.

- The Group previously disclosed foreign exchange gains and losses within 'employee benefits costs', 'network and satellite operations costs' and 'other operating costs'. Management believes that their inclusion as part of 'other operating costs' is a fairer representation of the Group's activities and, as a result, US$3.1 million of foreign exchange losses have been reclassified to 'other operating costs' in the half year ended 30 June 2005.

- In the financial statements at 31 December 2005, the Group reclassified the 2004 current and deferred income tax balances to reflect the treatment of pension and post-retirement benefits under IAS 19 'Employee Benefits'. The effect of this reclassification is to increase the current income tax liability as at 30 June 2005 by US$3.3 million with a corresponding decrease in the deferred tax liability. There is no impact on net assets.

As noted above, the Group has additionally amended its accounting treatment for lease payments on the Group's head office building. The terms of the lease specify an increase being made to the annual payments in 2010, 2015 and 2020 with annual payments constant between these dates. The Group now records the total lease payments on a straight-line basis over the full anticipated 25 year period of the lease rather than as incurred. The income statement for the first half of 2006 therefore includes a non-recurring and non-cash charge of US$2.1 million to reflect the costs of this change for the full year 2005. This amount is, however, considered not material to require a restatement of 2005 figures.

4. Segment information

The Group operates in one business segment being the supply of mobile satellite communications services ("MSS"). "Other" comprises the results of the Group's former operating subsidiaries, Invsat Limited and Rydex Corporation Limited and the elements of Other Income which are not directly related to the provision of MSS.

Primary reporting format - Business segments

(US$ in millions)	**2006 Half year (unaudited)** MSS	Other	Unallocated	Total	2005 Half year (unaudited) MSS	Other	Unallocated (as restated)	Elimination	Total
Revenue	**243.1**	**2.8**	**-**	**245.9**	241.5	12.1	-	-	253.6
Segment result (operating profit)	**86.2**	**1.3**	**-**	**87.5**	120.9	1.2	-	-	122.1
Net interest charged to the income statement	**-**	**-**	**(40.0)**	**(40.0)**	-	-	(56.6)	-	(56.6)
Profit before income tax				**47.5**					65.5
Income tax expense				**(16.2)**					(22.7)
Profit for the year				**31.3**					42.8
Segment assets	**1,976.4**	**-**	**15.1**	**1,991.5**	1,889.1	15.4	234.0	(4.3)	2,134.2
Segment liabilities	**(208.8)**	**-**	**(1,103.7)**	**(1,312.5)**	(193.5)	(4.5)	(1,254.6)	-	(1,452.6)
Capital expenditure	**(46.8)**	**-**	**-**	**(46.8)**	(140.8)	-	-	-	(140.8)
Depreciation	**(65.2)**	**-**	**-**	**(65.2)**	(37.1)	(0.5)	-	-	(37.6)
Amortisation of intangible assets	**(10.1)**	**-**	**-**	**(10.1)**	(12.1)	-	-	-	(12.1)

5. Net interest payable

(US$ in millions)	**2006 Half year (unaudited)**	2005 Half year (unaudited)
Interest on Senior Notes and Senior Credit Facilities	**(19.9)**	(39.3)
Accretion of discount on the Senior Discount Notes	**(17.5)**	(15.8)
Financing costs of pension and post-retirement healthcare liabilities	**(3.4)**	-
Unwinding of discount on deferred satellite liabilities	**(2.0)**	(1.1)
Amortisation of debt issue costs	**(1.5)**	(6.5)
Interest and facility fees payable on bank loans, overdrafts and finance leases	**(0.2)**	(0.6)
Previous Senior Credit Facility deferred debt issue costs written off	**-**	(19.9)
Accretion of discount on the principal of Subordinated Preference Certificates	**-**	(19.6)
Interest rate swap	**-**	(1.4)
Other interest payable	**-**	(0.2)
Total interest payable and similar charges	**(44.5)**	(104.4)
Interest rate swap	**1.2**	-
Bank interest receivable and other interest	**3.3**	5.1
Currency gain on repayment of Subordinated Preference Certificates	**-**	39.3
Realised gain on amendment to interest rate swap	**-**	3.4
Total interest receivable and similar income	**4.5**	47.8
Net interest payable	**(40.0)**	(56.6)

6. Tax

(US$ in millions)	**2006 Half year (unaudited)**	2005 Half year (unaudited)
Current tax:		
UK corporation tax	**0.8**	(7.9)
	0.8	(7.9)
Deferred tax:		
Current year	**15.4**	30.6
	15.4	30.6
Total tax charge	**16.2**	22.7

The corporation tax charge for the interim period is 34% (2005: 35%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year and differs from the UK corporation tax rate of 30% because of permanent differences, in particular in relation to disallowable expenditure.

7. Reconciliation of movements in shareholders' equity

(US$ in millions)	Ordinary share capital	Share premium account	Other reserves	(Accumulated losses) (as restated)	Total
Balance as at 1 January 2005 (as restated)	**0.3**	**34.8**	**21.4**	**(44.0)**	**12.5**
Fair value (losses) - cash flow hedges	-	-	(10.0)	-	(10.0)
Issue of ordinary share capital	0.1	635.8	-	-	635.9
Share option costs	-	-	1.1	-	1.1
Profit for the period	-	-	-	42.8	42.8
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	-	-	-	(0.4)	(0.4)
Movement in cumulative translation reserve	-	-	(0.3)	-	(0.3)
Balance as at 30 June 2005 (as restated)	**0.4**	**670.6**	**12.2**	**(1.6)**	**681.6**
Fair value (losses) – cash flow hedges	-	-	(5.6)	-	(5.6)
Issue of ordinary share capital	-	1.7	-	-	1.7
Share option costs	-	-	2.4	-	2.4
Share options exercised	-	-	0.2	-	0.2
Loss for the period	-	-	-	(3.1)	(3.1)
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	-	-	-	(5.7)	(5.7)
Deferred tax credit on share options	-	-	-	5.5	5.5
Movement in cumulative translation reserve	-	-	(0.5)	-	(0.5)
Balance as at 31 December 2005	**0.4**	**672.3**	**8.7**	**(4.9)**	**676.5**
Fair value gains - cash flow hedges	-	-	9.4	-	9.4
Issue of ordinary share capital	-	3.0	-	-	3.0
Share option costs	-	-	1.6	-	1.6
Share options exercised	-	-	0.2	-	0.2
Profit for the period	-	-	-	31.3	31.3
Dividend payable	-	-	-	(49.8)	(49.8)
Actuarial gains from pension and post-retirement healthcare benefit (net of tax)	-	-	-	5.0	5.0
Deferred tax credit on share options	-	-	-	1.8	1.8
Balance as at 30 June 2006	**0.4**	**675.3**	**19.9**	**(16.6)**	**679.0**

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 2006 (unaudited)			As at 31 December 2005 (audited)			As at 30 June 2005 (unaudited)		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:									
Bank overdraft	0.3	-	0.3	0.2	-	0.2	0.3	-	0.3
Deferred satellite payments	11.5	-	11.5	10.4	-	10.4	7.9	-	7.9
Current portion - New Senior Credit Facility	25.0	-	25.0	-	-	-	-	-	-
Current portion - Senior Notes	-	-	-	-	-	-	167.1	(6.1)	161.0
Total current borrowings	**36.8**	**-**	**36.8**	**10.6**	**-**	**10.6**	**175.3**	**(6.1)**	**169.2**
Non-current:									
New Senior Credit Facility	225.0	(2.0)	223.0	250.0	(2.3)	247.7	250.0	(2.7)	247.3
Senior Discount Notes, 10.375%	349.5	(8.4)	341.1	332.2	(8.7)	323.5	315.9	(9.2)	306.7
Accretion of discount on the principal	4.6	-	4.6	4.4	-	4.4	4.2	-	4.2
Senior Notes	256.8	(9.7)	247.1	300.4	(10.6)	289.8	310.4	(11.5)	298.9
Premium on Senior Notes	1.2	-	1.2	1.3	-	1.3	2.2	-	2.2
Deferred satellite payments	53.3	-	53.3	42.2	-	42.2	47.0	-	47.0
Total non-current borrowings	**890.4**	**(20.1)**	**870.3**	**930.5**	**(21.6)**	**908.9**	**929.7**	**(23.4)**	**906.3**
Total borrowings	**927.2**	**(20.1)**	**907.1**	**941.1**	**(21.6)**	**919.5**	**1,105.0**	**(29.5)**	**1,075.5**
Cash and cash equivalents	**(15.1)**	**-**	**(15.1)**	**(35.3)**	**-**	**(35.3)**	**(234.0)**	**-**	**(234.0)**
Short-term deposits	**-**	**-**	**-**	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Net borrowings	**912.1**	**(20.1)**	**892.0**	**905.8**	**(21.6)**	**884.2**	**870.3**	**(29.5)**	**840.8**

9. Dividends

(US$ in millions)	2006 Half year (unaudited)	2005 Half year (unaudited)
Ordinary Shares		
Final dividend for the year ended 31 December 2005 of 10.95 cents (US dollars) per share (2004: Nil)	**49.8**	-

The Board intends to declare and pay an interim dividend of 10.66 cents (US dollars) per ordinary share on 27 October 2006 to ordinary shareholders on the Register at the close of business on 29 September 2006. 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 2006.

10. Earnings per share

Basic and diluted earnings per share is based on a weighted average number of ordinary shares in issue of 453,497,292 and 458,753,854 respectively (2005: 302,638,396 and 307,246,919). At 30 June 2006, there was a total of 457,151,668 ordinary shares in issue.

11. Contingent liabilities / Contingent assets

In April 2006, certain of our distribution partners commenced arbitration proceedings with a view to clarifying the terms of their Commercial Framework Agreements with us, specifically concerning the recent appointment of a new distribution partner for BGAN services which they believe took place outside the terms of these Commercial Framework Agreements. Having taken legal advice, we believe that the claims of these distribution partners are without merit and we intend vigorously to defend our position in the arbitration proceedings.

There were no other material contingent assets or liabilities at 30 June 2006.

A full copy of the interim results may be downloaded from our website: www.inmarsat.com.

Independent review report to Inmarsat plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006, which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of recognised income and expense, the condensed consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority and the requirements of IAS 34, which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Deloitte & Touche LLP
Chartered Accountants
London
4 August 2006

Company information

Directors
Andrew Sukawaty (Chairman and Chief Executive Officer)
Michael Butler (Chief Operating Officer)
Sir Bryan Carsberg (Independent Director)
Stephen Davidson (Independent Director)
Admiral James Ellis Jr (Rtd) (Independent Director)
Kathleen Flaherty (Independent Director)
Rick Medlock (Chief Financial Officer)
John Rennocks (Deputy Chairman and Senior Independent Director)

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Brokers
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Lehman Brothers

Registrars
Lloyds TSB Registrars

As an Inmarsat shareholder, you can register for Shareview, a free, online information service operated by Lloyds TSB Registrars where you can elect to receive electronic communications and dividends paid safely and direct to your bank account. To register for Shareview, simply log on to www.shareview.co.uk and complete the simple on-screen registration process.

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