

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010

5 August 2010

	2009	2010	Change
Order intake	£893m	£937m	+5%
Total revenue	£952m	£963m	+1%
Underlying ¹ trading margin	17.0%	17.4%	+0.4%pts
Underlying ¹ profit before tax	£141m	£145m	+2%
Basic profit before tax ²	£139m	£97m	
Underlying ¹ earnings per share (EPS)	9.0p	9.3p	+4%
Basic EPS	9.3p	6.6p	
Operating cash conversion ³	87%	82%	
Interim dividend per share	1.48p	1.628p	+10%

- Order book increased to £2.5bn
- Resilient first half results with underlying EPS growth of 4%
- Strong free cash flow of £103m with operating cash conversion of 82%
- Strategy review completed with continuing focus on technology investment and acquisitions
- New 'Excellence in Delivery' programme with approximately two year payback from one-off costs of some £130-£150m
- Interim dividend increased by 10% to 1.628p

Andy Stevens, Cobham Chief Executive, said:

"We have delivered a resilient set of first half results, despite the ongoing fragility in some commercial markets and delays in the award of certain US defence and security contracts.

"Our strategy is to build leading, long term technology positions in high growth segments within defence and security and commercial markets which position us to grow faster than the overall market. To achieve this, we will focus on a number of key strategic objectives including continued technology investment and acquisitions, portfolio optimisation and operational performance.

"We expect organic revenue growth to increase in the second half, although the rate of improvement will be dependent on the release of delayed contracts. Our commercial markets remain hard to predict but are unlikely to improve significantly in 2010. Despite the uncertain trading background, the Board continues to expect the Group to make further underlying progress in the year, underpinned by the early benefits from the 'Excellence in Delivery' programme.

"Our long term positions in attractive markets, together with the delivery of our strategic objectives, reinforce the Board's confidence of continuing progress over the medium term and accordingly we have once again increased the interim dividend by 10%".

ENQUIRIES

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INTERIM RESULTS PRESENTATION AND WEBCAST

There will be an interim presentation at 9.30am UK time on Thursday, 5 August 2010. The interim results presentation will be web-cast live on the Cobham website (www.cobhaminvestors.com) and will remain on the website for subsequent viewing.

The following notes apply throughout these interim results:

- 1. To assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results. Trading profit and underlying earnings have been defined to exclude the impacts of certain transaction related adjustments, portfolio restructuring costs, the mark-to-market of currency instruments not realised in the period and impairments of goodwill. Transaction related adjustments excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, such as customer relationships, technology and software and the like, legal and professional fees relating to acquisition and disposal activity, unless otherwise treated as costs of disposal, the writing off of the pre-acquisition profit element of inventory written up on acquisition and costs charged post acquisition, which relate to purchasing the shares of acquired companies. Portfolio restructuring costs comprise exceptional profits arising on business divestments, completed in prior years, which have funded exceptional costs associated with the restructuring of the Group's business and site integrations. Both the divestments and the integration activity originate from the Group's strategy announcement in September 2005. A reconciliation of underlying profit is shown on page 9.*
- 2. On continuing operations.*
- 3. Operating cash flow is defined as cash generated from operations, adjusted for cash flows from the purchase or disposal of fixed assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures.*
- 4. Cobham's Technology Divisions comprise Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems.*
- 5. Organic revenue growth is defined as revenue growth stated at a constant translation exchange, excluding the incremental effect of acquisitions and disposals.*

OVERVIEW OF THE HALF YEAR

Cobham has delivered a resilient operating performance, although there has been continuing fragility in some of its commercial markets and ongoing delays in the award of certain US defence and security contracts.

Encouragingly, the Group has seen improved order intake in all three Technology Divisions - Avionics and Surveillance, Defence Systems and Mission Systems - with an increased book-to-bill ratio of 1.03 times and a 5% increase in orders received, excluding orders relating to acquisitions and at constant translation exchange rates. The Group's order book increased to £2.5bn.

There was good organic growth in the Mission Systems Division as it executed some delayed deliveries, with air refuelling programmes starting to move into production. However, as previously reported, ongoing delays in the award of certain US defence and security contracts held back growth in the Defence Systems Division. Some commercial markets remain fragile, particularly those focused on smaller commercial aircraft and helicopters, and this has affected the Avionics and Surveillance Division in particular. The Aviation Services Division delivered good organic growth of 5%, as the Australian economy started to improve.

Organic revenue from commercial activities, representing 22% of the Technology Division's revenue, declined 3% on the comparative period, although there was sequential improvement as commercial activities were up on the second half of 2009. Defence and security revenue, representing 78% of technology revenue, increased 2% on an organic basis.

Underlying EPS increased 4% to 9.3p as a result of an increase in the Group trading margin and an anticipated lower underlying tax charge, partly offset by an increase in the interest charge.

Free cash flow generation was strong at £103m, with operating cash conversion of 82%.

STRATEGY AND PROSPECTS

Introduction and Background

Since 2005, the Group's strategy has been to build leading positions in growing, high technology markets such as in specialist defence and security communications or C4ISR, surveillance and satellite communication (SATCOM). This strategy of focusing on growth markets has been successful in achieving significant growth in revenue and earnings with strong cash generation.

The leading positions Cobham has built overlap significantly with the US Government's priorities in its 2010 Quadrennial Defence Review (QDR). These priorities include the need to defeat smaller groups of irregular fighters and terrorists at home and abroad, as well as more traditional and formally structured armed forces. The gathering, analysing and sharing of increasing amounts of electronic video, data and voice intelligence and the need to disrupt or destroy adversaries' electronics, while protecting the military's own critical electronic systems through increased focus on cyber security, is central to achieving these priorities. At the same time, global macro economic issues are ensuring increased government focus on defence budgets with Cobham's customers expected to require increasing efficiency and value for money, with rigorous selection criteria and increased levels of oversight.

In March 2010, Cobham identified a number of areas for review to help address the new environment. These included how Cobham can extract synergies and cost efficiencies from more

integrated facilities and standardised operating procedures, the effective re-investment of such savings to deliver competitive advantage, the refinement of the portfolio towards areas of greatest competitive advantage and the focus of acquisitions in Cobham's chosen markets.

Strategy

As a result of rigorous and detailed analysis, Cobham remains convinced that a continued focus on its leading positions in high technology defence and security and commercial markets such as C4ISR, surveillance and SATCOM will allow it to continue to grow faster than the overall market. The importance of government outsourcing due to budgetary pressures is also expected to benefit the Aviation Services Division, which brings a reliable stream of revenue from long term contracts, cash generation and opportunities to cross-sell Cobham products.

To underpin the inherent growth in its markets, Cobham will focus on the delivery of the following key strategic objectives:

- Operational Excellence
- Investment in Technologically Differentiated Products and Services
- Scale and Portfolio Optimisation

Operational Excellence

Cobham has made considerable strategic progress since 2005. This includes the creation and progressive strengthening of divisional management teams, putting similar business units under common management control, undertaking facility integrations and adopting a global brand. As a result, the Group has now reached a level of maturity where it has management strength in depth, an appropriate organisational framework and the integration experience to move towards implementing an 'Excellence in Delivery' programme.

As part of 'Excellence in Delivery' a pilot scheme has been undertaken to gauge the potential impact on current operational performance of adopting a standardised operating framework. The pilot has demonstrated that such a framework can deliver major operating improvements including increases in production capacity, shorter manufacturing lead-times and working capital improvements. In addition, the pilot scheme resulted in significantly more efficient use of factory space, creating subsequent opportunities for major facility integration, with consequent overhead savings and simplification of the customer interface. Cobham is now embarking on a larger programme to deliver operational excellence in a set of principal facilities which will position Cobham to take maximum advantage of its markets. The programme will integrate existing sites, following on from numerous acquisitions over the years, into the principal facilities. As a consequence these facilities will have scale and standardised, world class operations.

Detailed work on costing the programme is underway, including the calculation of one-off costs and efficiencies that could be generated. Preliminary estimates are that one-off costs could amount to some £130-£150m in total, generating efficiencies approximately equivalent to a two year payback. The one-off costs under consideration could include redundancies, lease terminations, enterprise resource planning IT systems, asset write downs related to facility closures and programme management. The efficiency savings generated from this programme will be used to improve the value for money, service and delivery offered to customers, to invest in technology and capability and to provide returns to shareholders that will more than cover the capital cost of investment.

From this total, the Group expects to incur some £35m of costs in the second half of 2010 which will fund the early stages of the programme and facilitate preparations for future stages. This will result in estimated efficiencies of approximately £10m in 2010, underpinning the Board's confidence in its full year expectations in the current uncertain market conditions.

Investment in Technologically Differentiated Products and Services

Investment in PV (Private Venture or Cobham funded Research & Development - R&D) will continue to be critical to the Group's strategy of organic revenue growth from bringing new or improved products and services with technological differentiation to market. The focus on technology investment has meant that during the period a number of larger development programmes including the 905E next generation air refuelling pod and the VIS-X next generation vehicle intercom system made good progress. First shipments of these pods have been made to the Royal Australian Air Force (RAAF) and VIS-X shipments to the US Army are scheduled to commence in 2011.

New PV related programmes were temporarily slowed where customer launches and demand for new products were down, so total PV was lower at £39m (2009: £45m), being 4.7% (2009: 5.4%) of Technology Divisions' revenue. However, with the addition of customer funded R&D, total R&D investment remained broadly consistent with the prior period at over 8%.

Investment has been made in a number of promising areas including:

- Breakthrough flat panel array technology for broadband SATCOM terminals operating at X, Ku and Ka-band for commercial and military customer applications worldwide. This is a key enabler for low size, weight and power and is for use either in man portable or suitcase sized applications;
- A new type of rotary joint for linking fibre optic communication cables has been developed, which is capable of handling higher volumes of data than traditional Radio Frequency rotary joints;
- Development of smaller and lighter integrated microwave modules for a helicopter radar upgrade with reduced power requirements and with performance levels previously only available in larger systems;
- The successful demonstration of advanced phased array technologies, including real-time adaptive digital beam forming techniques and wideband array technology for application in next generation radar systems;
- Fielding of cutting edge oxygen generating technology, which allows very high purity oxygen to be generated from compact units for either civilian or military hospitals in remote locations, including Afghanistan.

Cobham Surveillance in Hampshire, UK received high profile recognition for its PV investment in developing wireless digital audio and video link technology by being granted a prestigious Queen's Award for Enterprise in the Innovation category. The products have numerous applications including improving safety for bomb disposal teams and law enforcement personnel.

Scale and Portfolio Optimisation

The Group continues to have a robust balance sheet, good cash generation and a strong pipeline of acquisitions. It will maintain its acquisition focus on its existing higher growth markets, building scale and capabilities where there are technology and cost synergies available. At the same time it will maintain its financial criteria and disciplined approach to investment. An enhanced capability to generate cost synergies from the 'Excellence in Delivery' programme will augment the Group's ability to extract value from acquisitions in its pipeline of opportunities.

The Group will continue its existing practice of exiting sub-scale businesses as and when appropriate value can be realised. Funds realised from such divestments will be reinvested into Cobham's higher growth markets. As a result of this, together with the facility integrations, the Group is expected to operate a focused portfolio of businesses from a set of principal standardised sites, representing a very significant proportion of production operations, and a streamlined number of smaller, specialised sites.

FINANCIAL RESULTS

Order Book

The Technology Divisions' aggregate book to bill ratio increased to 1.03 times (2009: 0.96 times), with Group order intake of £937m (2009: £893m). Excluding orders relating to acquisitions and at constant translation exchange rates, growth in order intake in the Technology Divisions was 5%, with each one of the Technology Divisions increasing its order intake in the period.

This, together with the impact of translation exchange rates, resulted in an increased order book at the end of the period of some £2.5bn (31 December 2009: £2.4bn), with the Technology Divisions on some £1.4bn (2009: £1.3bn) and Aviation Services £1.1bn (2009: £1.1bn).

Revenue

Group revenue increased to £963m (2009: £952m), although organic growth and a contribution from the May 2009 acquisition of Argotek was partly offset by adverse translation currency exchange rates.

Organic revenue growth was 1% (2009: 1%) in the Technology Divisions. Within this, defence and security revenue grew 2%. This was partly offset by the smaller commercial businesses which declined 3% on the comparative period, although there was sequential organic improvement as the commercial businesses were up on the second half of 2009.

An analysis of the Technology Divisions' revenue growth is as follows:

Revenue - Analysis of Technology Divisions

H1 2009	FX Translation	Acquisitions	Organic Growth	H1 2010
£843m	-£23m	+£5m	+£8m	£833m

Average H1 2010 US\$/£ exchange rate = \$1.53/£1. Average H1 2009 US\$/£ exchange rate = \$1.50/£1.

Trading Profit

Group trading profit increased to £167m (2009: £162m) with the Group's trading margin increasing to 17.4% (2009: 17.0%). The biggest movements in margin were a 1.2% point increase in Defence Systems, where foreign exchange transaction rates and ongoing cost saving and integration initiatives favourably impacted margins, and in Aviation Services where, as anticipated, there was a 1.7% decline due to one-off cost benefits relating to aircraft maintenance provisions in the prior period.

Net Finance Expense and Underlying Profit Before Tax

The net finance expense was £23m (2009: £21m). The net interest expense on cash and debt holdings increased to £22m (2009: £18m) due to an increase in the average cost of debt which followed a short term bridging facility being refinanced in 2009 by more permanent, longer term debt. As anticipated, there was a net finance charge from pension schemes of £1m in the period (2009: £3m).

Underlying profit before tax was up at £145m (2009: £141m).

Taxation

On an underlying basis, the effective tax rate for the period reduced to 26.5% (H1 2009: 28.0%, FY 2009: 27.8%). This is calculated by dividing the Group's underlying tax charge of £38m (2009: £39m) by its underlying profit before tax, excluding the share of post-tax results of joint ventures. The rate continued to benefit, in part, from the impact of consortium relief relating to Cobham's investment in AirTanker Limited and from R&D tax credits.

Earnings per Share (EPS)

Underlying EPS increased by 4% to 9.3p (2009: 9.0p), due to the increase in the Group trading margin and the lower underlying tax charge, which was partly offset by the increase in the interest charge.

Basic EPS was lower than the comparable period at 6.6p (2009: 9.3p), primarily driven by the post-tax and non-cash unrealised loss on revaluation of currency instruments of £11m (2009: unrealised gain £34m). This was partly offset by a reduction in the post-tax and non-cash amortisation of intangible assets arising on acquisition to £21m (2009: £27m).

Retirement Obligations

The Group operates a number of defined benefit pension schemes, the most significant being the Cobham Pension Plan. At the period end, the estimated shortfall for accounting purposes between the value of the defined benefit scheme assets and the present value of future liabilities was £137m before deferred tax (31 December 2009: £115m). The main factors behind this increase are a lower than expected return on investments and a lower discount rate on liabilities, driven by AA-rated investment grade corporate bond yields, partly offset by lower long term inflation assumptions.

Cash Flow and Net Debt

Operating cash flow in the period, after capital expenditure and PV which is expensed in the income statement but before the payment of tax and interest was £135m (2009: £139m). This included net capital expenditure of £28m (2009: £31m). Operating cash conversion was 82% (2009: 87%) of trading profit before the Group's share of post-tax results of joint ventures.

After the payment of tax and net interest and the receipt of dividends from joint ventures, the Group generated free cash flow of £103m (2009: £95m). From free cash flow the Group invested a net £9m (2009: £10m) in acquisitions, relating to deferred and contingent payments on acquisitions completed in prior periods and other transaction related costs.

At the period end, the Group had net debt of £373m (31 December 2009: £413m). The reduction in net debt from the Group's cash flow generation was partly offset by movements in exchange rates in the period of £64m, as it is the Group's policy to hold a significant proportion of its borrowings in foreign currency, principally US dollars, as a natural hedge against assets and earnings denominated in those currencies.

As a result of lower net debt and higher earnings before interest, tax, depreciation and amortisation (EBITDA), the Group's gearing had reduced to approximately 0.9 times net debt/EBITDA (31 December 2009: 1.0 times net debt/EBITDA).

Dividends

An interim dividend of 1.628p (2009: 1.48p), representing a 10% increase on the comparable period, has been approved by the Board and will be paid on 12 November 2010 to all shareholders on the register at 15 October 2010.

RECONCILIATION OF UNDERLYING PROFIT

	Half Year to 30 June 2009	Half Year to 30 June 2010	Year to 31 December 2009
Trading profit is calculated as follows:			
£m			
Result before joint ventures	158	117	281
Share of post-tax results of joint ventures	2	2	6
Operating profit	160	119	287
Adjusted to exclude:			
Portfolio restructuring	2	(1)	8
Unrealised (gains)/losses on revaluation of currency instruments	(46)	15	(43)
Amortisation of intangible assets arising on acquisition	43	33	78
Transaction related adjustments	3	1	7
Trading profit	162	167	337
Underlying profit before tax is calculated as follows:			
£m			
Profit on continuing operations before taxation	139	97	245
Adjusted to exclude:			
Portfolio restructuring	2	(1)	8
Unrealised (gains)/losses on revaluation of currency instruments	(46)	15	(43)
Amortisation of intangible assets arising on acquisition	43	33	78
Transaction related adjustments	3	1	7
Underlying profit before taxation	141	145	295
Profit after tax used in the calculation of underlying EPS is calculated as follows:			
£m			
Profit after taxation attributable to equity shareholders	106	75	186
Adjusted to exclude (after tax):			
Portfolio restructuring	1	(1)	5
Unrealised (gains)/losses on revaluation of currency instruments	(34)	11	(31)
Amortisation of intangible assets arising on acquisition	27	21	50
Transaction related adjustments	2	1	5
Underlying profit after taxation	102	107	215
Underlying earnings per ordinary share (pence)	9.0	9.3	18.8

DIVISIONAL REVIEW

Group Operating Summary

	Revenue		Trading Profit	
	Half Year 2009	Half Year 2010	Half Year 2009	Half Year 2010
£m				
Cobham Avionics & Surveillance	255	237	43	39
<i>Margin</i>			16.7%	16.2%
Cobham Defence Systems	437	434	75	80
<i>Margin</i>			17.2%	18.4%
Cobham Mission Systems	163	171	27	29
<i>Margin</i>			16.6%	17.0%
Technology Eliminations	(12)	(9)	-	-
Technology Divisions	843	833	145	148
<i>Margin</i>			17.1%	17.7%
Cobham Aviation Services	111	131	15	15
<i>Margin</i>			13.7%	12.0%
Head Office and Other	(2)	(1)	2	4
Cobham Group	952	963	162	167
<i>Margin</i>			17.0%	17.4%

Cobham Avionics and Surveillance

	Half Year 2009	Currency Translation	Organic	Half Year 2010
£m				
Revenue	255	(5)	(13)	237
Margin	16.7%	0.2%	(0.7)%	16.2%

Organic revenue declined 5% due to continuing fragility in some of the Division's commercial markets, particularly those focused on smaller aircraft and helicopters, and delays in the award of certain US contracts in the surveillance business. In aggregate, the Division's commercial businesses were down on the comparative period, although there was sequential organic improvement on the second half of 2009.

The Division's margin decreased to 16.2% (2009: 16.7%) being impacted by lower volumes in commercial markets. In addition to rapid cost actions taken in 2009 and the integration of some of the Division's facilities last year, there have been further cost reduction benefits in the period to offset the lower volumes, including procurement savings, in addition to the full impact of the 2009 integrations.

Areas of growth included:

- Strong sales of the MINEHOUND Improvised Explosive Device (IED) mine detector, developed with PV funding, incorporating Cobham's leading edge ultra wideband ground penetrating radar;
- Increased deliveries to Airbus of Cobham's world leading long range SATCOM antennas for use on single aisle and long range aircraft. Some 13 airlines have selected the antenna following certification with Airbus and Boeing;
- Growth in sales of land based SATCOM and on the move products, including use in support of broadcast, border patrol and disaster relief applications. Some twenty-five satellite terminals were delivered in support of agencies responding to the earthquake in Haiti, providing telephone, radio, video and internet services to relief users.

In addition, there were a number of important business developments in the period which it is anticipated will benefit future results:

- Continued demand for surveillance equipment with further contracts received from US federal government, state and local law enforcement agencies, as well as from the London Metropolitan Police and several major agencies in the UK, Europe and Asia;
- A significant Indefinite Delivery/Indefinite Quantity (IDIQ) contract was awarded for wireless internet protocol (IP) mesh systems and associated hardware from a major US Federal Agency. The award of this five year framework agreement was made under the Radio Frequency Initiative of the US Department of Justice (DoJ), and will assist the DoJ in the migration of its wireless spectrum networks;
- Following the successful certification in 2009 of the HGA-7001 SATCOM antenna on the Airbus single aisle range (A318, A319, A320 and A321 aircraft), Airbus extended the certification to its long range A330 and A340 aircraft. During the first half of 2010, the antenna was also successfully flight tested on the Boeing 787 and the Airbus A400M aircraft;
- The Group's marine SATCOM business launched new products developed with PV funding, with signs of the maritime market recovering.

Cobham Defence Systems

	Half Year 2009	Currency Translation & Acquisition	Organic	Half Year 2010
£m				
Revenue	437	(9)	6	434
Margin	17.2%	0.3%	0.9%	18.4%

Total revenue decreased by 1% to £434m, primarily as a result of adverse currency translation exchange rates, partly offset by organic growth of 2%. The rate of organic growth was held back due to delays in the award of some US military contracts. Business with the US Missile Defence Agency has been impacted by delays in the award of Missile Defence Agency Engineering and Support Services (MiDAESS) contracts and by some limited Organisational Conflict of Interest (OCI) contract exits which have now come to an end. However, there was good revenue growth from passive microwave, composites and tactical communications products.

The Division's margin increased to 18.4% (2009: 17.2%), as movements in foreign exchange transaction rates and ongoing cost saving and integration initiatives favourably impacted margins.

Areas of growth included:

- A third full-rate production lot worth US\$46m was awarded by the US Naval Air Systems Command (NAVAIR) to manufacture the Low Band Transmitter Antenna Group that is heavily used in Iraq and Afghanistan. This award brings the total number of production transmitters ordered to 217 of the 292 required, of which 80 have been delivered;
- A US\$17m follow-on contract from Raytheon Missile Systems to manufacture microwave modules used in ground-to-ground or air-to-ground missile applications;
- The sale of antennas to outfit some 7,000 M-ATV armoured fighting vehicles and of miniature interference cancellation systems (MINCAN) on the Rescue 21 programme for the US Coast Guard.

In recognition of its achievement in increasing export revenues continuously over six years and for selling well over 80% of its production overseas, Cobham Defence Systems in Marlow, UK was honoured in the Queen's Awards for Enterprise with an International Trade award.

In addition, there were a number of important business developments in the period which it is anticipated will benefit future results:

- The Cobham Northrop Grumman vehicle intercom system (VIS-X), supplied under a 10 year IDIQ contract with a ceiling of US\$2.4bn, was successfully integrated into the US Army Stryker Systems Integration Laboratory;
- Further contract releases valued at US\$26m for the ongoing supply of the ROVIS (AN/VIC-3) digital vehicular intercom system to the US Army. All deliveries will be made by the end of 2010;
- Award of a development contract worth up to US\$12m from the US Navy to replace older radio frequency technology for enhanced reliability and ease of maintenance. The technology is vital to jamming and suppressing hostile radars and radar guided weapons;
- A contract from Sikorsky Aircraft Corporation was awarded to manufacture advanced composite components and assemblies for the main rotor blades of the US Marine Corps' CH-53K Heavy Lift Replacement Helicopter. The contract could be worth up to US\$25m and establishes Cobham as a supplier to three United Technologies Corporation subsidiaries;
- Cobham Analytic Solutions received a multiple source IDIQ prime award for the MiDAESS contract for Infrastructure & Deployment tasks;
- A new 11,000 square foot facility was opened in Blacksburg, Virginia consolidating operations for the production of advanced semiconductor microwave circuit products at a lower cost and in shorter time with five new semiconductor microwave circuit products for integrated jamming systems on fighter jets and ground-based systems;
- A high-tech composite manufacturing facility was also opened in Suffolk, Virginia. The 73,500 square foot facility employs Cobham's unique Memory Shape Mandrel™ technology that was designed to improve quality and reduce manufacturing costs for programmes such as the US Air Force's Miniature Air-Launched Decoy (MALD), which has a long-term value of approximately US\$200m.

Cobham Mission Systems

	Half Year 2009	Currency Translation	Organic	Half Year 2010
£m				
Revenue	163	(4)	12	171
Margin	16.6%	-	0.4%	17.0%

Total revenue was up 5% due to organic growth of 7%, partly offset by adverse currency translation exchange rates. As anticipated, the Division made production deliveries of its next generation air refuelling pods, including some that had been previously delayed, with good progress being made on resolving the previously reported weapons carriage supply chain issues.

The margin increased to 17.0% (2009: 16.6%) helped both by revenue growth and cost savings from the transfer and integration of product lines that were substantially completed during 2009.

Areas of growth included:

- Delivery of 905E air to air refuelling pods for the RAAF, with successful delivery and installation of the first production Fuselage Refuelling Unit (FRU) for FSTA;
- An increase in deliveries of Eurofighter weapons carriage and release equipment;
- Booking and delivery of Air Warrior cooling systems under the five year Indefinite Delivery Definite Quantity (IDDQ) contract from the US Army announced in the second half of 2009.

In addition, there were a number of important business developments in the period which it is anticipated will benefit future results:

- Orders were received for delivery of further 905E air to air refuelling pods to the Royal Saudi Air Force and United Arab Emirates in 2011. Comprehensive bid responses were submitted for various equipment, including air refuelling systems, on the very large US KC-X air refuelling tanker procurement, including fuselage refuelling units and wing mounted refuelling pods;
- Important progress in the unmanned aerial vehicle (UAV) sector with a contract from Northrop Grumman for engineering support to demonstrate autonomous aerial refuelling of a Global Hawk UAV. Additionally, Cobham is participating in the Autonomous Systems Technology Related Airborne Evaluation & Assessment (ASTRAEA) programme, a collaborative R&D programme involving UK Aerospace companies and government, aimed at ensuring that the UK is at the forefront of UAV development;
- An additional production contract was received from Boeing to supply more than 500 BRU-61/A carriage systems for the Small Diameter Bomb (SDB) programme. The BRU-61/A is a pneumatic multi-store carriage and release system.

Cobham Aviation Services

	Half Year 2009	Currency Translation	Organic	Half Year 2010
£m				
Revenue	111	15	5	131
Margin	13.7%	(0.3)%	(1.4)%	12.0%

Total revenue increased 18% to £131m due to favourable currency translation exchange rates and good organic growth of 5%. The performance in Australia was strong as the economy improved, while UK revenue was flat with a more uncertain outlook as the UK Ministry of Defence (MoD) undertakes a strategic review, with results expected in the autumn.

As anticipated, the margin declined to 12.0% (2009: 13.7%) primarily due to the prior period benefiting from one-off cost benefits from aircraft maintenance provisions and a higher level of activity on large military aircraft maintenance.

The main revenue growth drivers in the period included:

- An increase in the rate of effort on the Sentinel programme with contract performance remaining at over 95%. The Surveillance Management System was formally accepted by the Australian Border Command after all 10 Bombardier Dash 8 aircraft had been fitted with the system;
- In Australia, additional flying hours were secured from Chevron's Gorgon LPG project for the provision of fly in and fly out services for mining personnel. The initial award, valued at approximately AUD\$170 million in December 2009, extends to 2016 and represents Australia's largest resource industry aviation support contract;
- The provision of surrogate UAV capabilities for the UK MoD in support of British Army pre-deployment training, to help successfully prove systems and procedures.

In addition, there were a number of important business developments in the period which it is anticipated will benefit future results:

- In Australia, further growth opportunities exist to provide fixed wing aviation services on the Gorgon LPG project and the associated Wheatstone LPG exploration programme;
- Following the award last year of an £18 million order for the Military Flying Training Services' (MFTS) Royal Navy rear crew training contract to convert and maintain four Beechcraft King Air B350 aircraft, Cobham has responded to pre-qualifying questionnaires for the Fixed Wing and Rear Crew Stage 2 programmes, with a view to providing a broader range of services;
- Contracts worth some £12 million were secured to upgrade and support key air traffic control systems and operations for the MoD to at least 2015.

OUTLOOK

Cobham has delivered a resilient set of first half results, despite the ongoing fragility in some commercial markets and delays in the award of certain US defence and security contracts.

The Group's strategy is to build leading, long term technology positions in high growth segments within defence and security and commercial markets which position Cobham to grow faster than the overall market. To achieve this, the Group will focus on a number of key strategic objectives including continued technology investment and acquisitions, portfolio optimisation and operational performance.

Organic revenue growth is expected to increase in the second half, although the rate of improvement will be dependent on the release of delayed contracts. The Group's commercial markets remain hard to predict but are unlikely to improve significantly in 2010. Despite the uncertain trading background, the Board continues to expect the Group to make further underlying progress in the year, underpinned by the early benefits from the 'Excellence in Delivery' programme.

Cobham's long term positions in attractive markets, together with the delivery of its strategic objectives, reinforce the Board's confidence of continuing progress over the medium term and accordingly the Board has once again increased the interim dividend by 10%.

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Forward Looking Statements

Nothing in this press release should be construed as a profit forecast or be interpreted to mean that the future earnings per share of Cobham will necessarily be the same as, or greater than, the earnings per share for completed financial periods.

This document contains 'forward-looking statements' with respect to the financial condition, results of operations and business of Cobham and to certain of Cobham's plans and objectives with respect to these items.

Forward-looking statements are sometimes but not always identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal', or 'estimates'. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or will occur in the future.

There are various factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies, political situations and markets in which the Group operates; changes in government priorities due to programme reviews or revisions to strategic objectives; changes in the regulatory or competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; changes to or delays in programmes in which the Group is involved; the completion of acquisitions and divestitures and changes in currency exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Cobham or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Cobham does not intend to update these forward-looking statements.

Consolidated income statement (unaudited)
For the half year ended 30 June 2010

£m	Note	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Continuing operations				
Revenue	2	963.4	952.1	1,880.4
Cost of sales		(662.7)	(652.2)	(1,284.0)
Gross profit		300.7	299.9	596.4
Selling and distribution costs		(44.9)	(46.2)	(90.4)
Administrative expenses		(123.7)	(142.8)	(268.4)
Share of post-tax results of joint ventures		2.5	2.5	6.1
Unrealised (losses)/gains on revaluation of currency instruments		(14.7)	46.7	42.9
Operating profit		119.9	160.1	286.6
Finance income	3	18.9	17.6	37.6
Finance expense	3	(41.5)	(38.1)	(79.3)
Profit on continuing operations before taxation		97.3	139.6	244.9
Tax on continuing operations		(21.9)	(33.5)	(59.0)
Profit after taxation for the period		75.4	106.1	185.9
Profit attributable to equity shareholders		75.3	106.0	185.8
Profit attributable to non-controlling interests		0.1	0.1	0.1
Profit after taxation for the period		75.4	106.1	185.9
Earnings per Ordinary Share	6			
- Basic		6.55p	9.29p	16.26p
- Diluted		6.50p	9.25p	16.17p

Consolidated statement of comprehensive income (unaudited)
For the half year ended 30 June 2010

£m	Note	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Profit after taxation for the period				
		75.4	106.1	185.9
Net translation differences on investments in overseas subsidiaries		4.8	(22.8)	(3.8)
Actuarial loss on pensions	4	(25.5)	(112.8)	(72.5)
Movements in hedged financial instruments		(10.7)	25.7	22.0
Tax effects		10.1	23.0	14.1
Other comprehensive expense for the period		(21.3)	(86.9)	(40.2)
Total comprehensive income for the period		54.1	19.2	145.7
Attributable to:				
Owners of the parent company		54.0	19.1	145.6
Non-controlling interests		0.1	0.1	0.1
		54.1	19.2	145.7

Trading profit is calculated as follows (see note 7):

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Operating profit from continuing operations	119.9	160.1	286.6
Adjusted to exclude:			
Portfolio restructuring	(1.1)	1.7	7.7
Unrealised losses/(gains) on revaluation of currency instruments	14.7	(46.7)	(42.9)
Amortisation of intangible assets arising on acquisition	32.7	43.4	78.7
Transaction related adjustments	1.0	3.2	6.9
Trading profit	167.2	161.7	337.0

Consolidated balance sheet (unaudited)

As at 30 June 2010

£m	Note	As at 30.6.10	As at 30.6.09	As at 31.12.09
Assets				
Non-current assets				
Intangible assets		1,085.0	1,091.9	1,063.0
Property, plant and equipment	8	327.0	282.8	318.2
Investment properties		11.6	11.4	11.3
Investments in joint ventures		16.8	15.9	17.4
Trade and other receivables		44.8	41.5	44.4
Derivative financial instruments		0.7	5.4	2.3
Deferred taxation assets		27.7	7.4	22.3
		1,513.6	1,456.3	1,478.9
Current assets				
Inventories		265.1	247.6	249.8
Trade and other receivables		341.9	297.8	329.1
Corporation tax		3.4	5.2	9.8
Derivative financial instruments		1.2	6.1	8.1
Cash and cash equivalents		458.4	384.0	366.4
		1,070.0	940.7	963.2
Liabilities				
Current liabilities				
Borrowings		(490.8)	(498.8)	(402.8)
Trade and other payables		(399.4)	(345.5)	(357.1)
Derivative financial instruments		(19.4)	(15.9)	(10.6)
Corporation tax		(83.5)	(62.0)	(80.7)
Provisions		(44.7)	(61.6)	(52.5)
		(1,037.8)	(983.8)	(903.7)
Non-current liabilities				
Borrowings		(340.9)	(326.7)	(376.2)
Trade and other payables		(18.7)	(33.7)	(26.8)
Derivative financial instruments		(35.9)	(20.5)	(26.7)
Deferred taxation liabilities		(36.0)	(23.8)	(37.3)
Provisions		(5.2)	(14.0)	(7.9)
Retirement benefit obligations	4	(137.1)	(163.7)	(115.2)
		(573.8)	(582.4)	(590.1)
Net assets		972.0	830.8	948.3
Equity				
Called up share capital		28.8	28.6	28.6
Share premium account		125.5	108.2	112.5
Other reserves		54.4	31.1	53.8
Retained earnings		762.9	662.3	753.1
Total shareholders' equity		971.6	830.2	948.0
Non-controlling interest in equity		0.4	0.6	0.3
Total equity		972.0	830.8	948.3
Net debt		(373.3)	(441.5)	(412.6)

Consolidated statement of changes in equity (unaudited)

For the half year ended 30 June 2010

£m	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' equity	Minority interest in equity	Total equity
Total equity at 1 January 2010	28.6	112.5	53.8	753.1	948.0	0.3	948.3
Profit for the period	-	-	-	75.3	75.3	0.1	75.4
Actuarial loss on pensions	-	-	-	(25.5)	(25.5)	-	(25.5)
Net translation differences on investments in overseas subsidiaries	-	-	4.8	-	4.8	-	4.8
Movements in hedged financial instruments	-	-	(18.9)	-	(18.9)	-	(18.9)
Reclassification of cash flow hedge fair values	-	-	8.2	-	8.2	-	8.2
Tax effects	-	-	3.0	7.1	10.1	-	10.1
Total comprehensive income for the period	-	-	(2.9)	56.9	54.0	0.1	54.1
Issue of shares	0.2	10.3	-	-	10.5	-	10.5
Purchase of treasury shares	-	-	-	(0.5)	(0.5)	-	(0.5)
Dividends authorised (note 5)	-	-	-	(45.7)	(45.7)	-	(45.7)
Share-based payments recognised in reserves	-	-	4.0	-	4.0	-	4.0
Release of share options reserve on vesting of PSPs	-	2.7	(2.7)	-	-	-	-
Realisation of share options reserve on exercise	-	-	1.6	(1.6)	-	-	-
Release of hedge reserve	-	-	1.5	-	1.5	-	1.5
Tax effects	-	-	(0.9)	0.7	(0.2)	-	(0.2)
Total equity at 30 June 2010	28.8	125.5	54.4	762.9	971.6	0.4	972.0

£m	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' equity	Minority interest in equity	Total equity
Total equity at 1 January 2009	28.5	103.9	37.2	678.6	848.2	0.6	848.8
Profit for the year	-	-	-	185.8	185.8	0.1	185.9
Actuarial loss on pensions	-	-	-	(72.5)	(72.5)	-	(72.5)
Net translation differences on investments in overseas subsidiaries	-	-	(3.8)	-	(3.8)	-	(3.8)
Movements in hedged financial instruments	-	-	8.1	-	8.1	-	8.1
Reclassification of cash flow hedge fair values	-	-	13.9	-	13.9	-	13.9
Tax effects	-	-	(6.2)	20.3	14.1	-	14.1
Total comprehensive income for the year	-	-	12.0	133.6	145.6	0.1	145.7
Issue of shares	0.1	6.7	-	-	6.8	-	6.8
Purchase of treasury shares	-	-	-	(0.7)	(0.7)	-	(0.7)
Acquisition of non-controlling interests	-	-	-	-	-	(0.3)	(0.3)
Dividends authorised (note 5)	-	-	-	(58.2)	(58.2)	-	(58.2)
Dividend to non-controlling interests	-	-	-	-	-	(0.1)	(0.1)
Share-based payments recognised in reserves	-	-	5.8	-	5.8	-	5.8
Release of share options reserve on vesting of LTIPs	-	1.9	(1.9)	-	-	-	-
Realisation of share options reserve on exercise	-	-	(2.9)	2.9	-	-	-
Release of hedge reserve	-	-	2.6	-	2.6	-	2.6
Tax effects	-	-	1.0	(3.1)	(2.1)	-	(2.1)
Total equity at 31 December 2009	28.6	112.5	53.8	753.1	948.0	0.3	948.3

£m	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' equity	Minority interest in equity	Total equity
Total equity at 1 January 2009	28.5	103.9	37.2	678.6	848.2	0.6	848.8
Profit for the period	-	-	-	106.0	106.0	0.1	106.1
Actuarial loss on pensions	-	-	-	(112.8)	(112.8)	-	(112.8)
Net translation differences on investments in overseas subsidiaries	-	-	(22.8)	-	(22.8)	-	(22.8)
Movements in hedged financial instruments	-	-	19.3	6.4	25.7	-	25.7
Reclassification of cash flow hedge fair values	-	-	6.4	(6.4)	-	-	-
Tax effects	-	-	(8.6)	31.6	23.0	-	23.0
Total comprehensive income for the period	-	-	(5.7)	24.8	19.1	0.1	19.2
Issue of shares	0.1	4.3	-	-	4.4	-	4.4
Purchase of treasury shares	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends authorised (note 5)	-	-	-	(41.3)	(41.3)	-	(41.3)
Share-based payments recognised in reserves	-	-	2.0	-	2.0	-	2.0
Release of share options reserve on vesting of LTIPs	-	-	(1.9)	-	(1.9)	-	(1.9)
Realisation of share options reserve on exercise	-	-	(0.5)	0.5	-	-	-
Foreign exchange	-	-	-	-	-	(0.1)	(0.1)
Total equity at 30 June 2009	28.6	108.2	31.1	662.3	830.2	0.6	830.8

Consolidated statement of cash flows (unaudited)
For the half year ended 30 June 2010

Em	Note	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Cash flows from operating activities				
Cash generated from continuing operations	10	162.9	170.2	371.1
Corporation taxes paid		(14.9)	(17.4)	(31.2)
Interest paid		(23.7)	(31.5)	(64.1)
Interest received		3.7	5.1	18.3
Net cash from operating activities		128.0	126.4	294.1
Cash flows from investing activities				
Dividends received from joint ventures		2.8	3.0	5.2
Purchase of property, plant and equipment		(27.2)	(29.6)	(74.6)
Purchase of intangible assets		(1.0)	(2.4)	(4.8)
Capitalised expenditure on intangible assets		(0.1)	-	(0.1)
Proceeds on disposal of property, plant and equipment and investment property		0.5	1.8	2.5
Proceeds on disposal of subsidiaries and assets held for resale		-	17.5	19.3
Acquisition of subsidiaries net of cash acquired		-	(24.6)	(18.9)
Acquisition of non-controlling interests		-	-	(0.3)
Net deferred and contingent consideration and other transaction related costs		(9.4)	(3.7)	(27.7)
Special pension contributions relating to disposals in prior years		-	-	(5.5)
Restructuring costs		(0.3)	(3.2)	(7.8)
Net cash used in investing activities		(34.7)	(41.2)	(112.7)
Cash flows from financing activities				
Issue of share capital	6	10.5	2.5	6.8
Dividends paid	5	-	-	(58.2)
Dividends paid to non-controlling interests		-	-	(0.1)
Purchase of treasury shares		(0.5)	(0.3)	(0.7)
New borrowings		104.0	-	437.1
Repayment of borrowings		(114.9)	(9.6)	(507.7)
Repayment of obligations under finance leases		-	(0.1)	(0.2)
Net cash used in financing activities		(0.9)	(7.5)	(123.0)
Net increase in cash and cash equivalents		92.4	77.7	58.4
Cash and cash equivalents at start of period		361.4	304.4	304.4
Exchange movements		(1.9)	(4.7)	(1.4)
Cash and cash equivalents at end of period		451.9	377.4	361.4

Cash and cash equivalents above are shown net of bank overdrafts of £6.5m (31.12.2009: £5.0m; 30.6.2009: £6.6m). These are classified as borrowings in the balance sheet.

Notes to the interim financial information

For the half year ended 30 June 2010

1. Basis of preparation

This unaudited consolidated interim financial information for the half year ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, and with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU). It comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes ("the interim financial report"). This information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the EU.

The directors believe, after making enquiries they consider to be appropriate, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors have made this assessment after consideration of the Company's forecast operating cash flows and related assumptions, undrawn debt facilities, debt maturity review, analysis of debt covenants and in accordance with the Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council.

Other than as stated below, the accounting policies applied are consistent with those published in the financial statements for the year ended 31 December 2009 and are expected to be applied for the year ended 31 December 2010. Taxes on income in the interim periods are accrued using the tax rate that is expected to be applicable to the total earnings for the year.

Standards, amendments to standards and interpretations, endorsed by the EU, which have been adopted from 1 January 2010 and which impact on the financial statements are as follows:

- Revisions to IFRS 3, Business Combinations and IAS 27, Consolidated and Separate Financial Statements issued in January 2008. These include consequential amendments to IAS 28 and IAS 31. Under IFRS 3 (Revised) all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. Also, all acquisition related costs are expensed. The revisions also change the accounting for non-controlling (minority) interests and changes therein. On adopting IFRS 3 (Revised) an immaterial amount of acquisition costs held on the balance sheet relating to acquisition activity were written off. No businesses were purchased during the period ended 30 June 2010.
- Within IFRS Annual Improvements 2009 there was a revision to IFRS 8 which amended the requirement to present total assets and liabilities by segment. Following this amendment segment disclosure of assets and liabilities are only required when they are reviewed in total by the Chief Operating Decision Maker (CODM). Whilst the CODM (the Board) reviews certain asset and liability categories, a review of total assets and liabilities is not performed. Segmental disclosures have therefore been amended accordingly.

The following standards, amendments to standards and interpretations which have been endorsed by the EU have also been adopted with effect from 1 January 2010. No changes to previously published accounting policies or other adjustments were required on their adoption.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items and Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition
- IFRIC 17, Distributions of Non-cash Assets to Owners
- Amendment to IFRIC 9 and IAS 39, Embedded Derivatives
- Amendment to IFRS 2, Group Cash-settled Share-based Payment Transactions
- Revised IFRS 1, First Time Adoption of IFRS and Amendments to IFRS 1, Additional Exemptions for First-time adopters

This interim financial report and the comparative figures for the year ended 31 December 2009 do not constitute statutory accounts within the meaning of the Companies Act 2006. Full accounts for that year have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This interim financial report was approved by the Board of Directors and approved for issue on 4 August 2010. The report is being sent to shareholders on request and will be available to members of the public at Cobham plc's registered office at Brook Road, Wimborne, Dorset, BH21 2BJ, UK and on the company's website, www.cobham.com.

Underlying measures

In addition to the information required by IFRS, and to assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results.

Trading profit and underlying earnings have been defined as operating profit from continuing activities excluding the impacts of certain transaction related costs, portfolio restructuring costs, the marking to market of currency instruments not realised in the period and impairments of goodwill.

Transaction related costs excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, the writing off of the pre-acquisition profit element of inventory written up on acquisition and costs charged post acquisition related to acquired share options. Transaction related costs also include other direct costs associated with business combinations and direct costs arising from any terminated acquisitions or disposals.

Portfolio restructuring costs comprise exceptional profits or losses arising on disposals actually completed, as well as exceptional costs or profits associated with the restructuring of the Group's business and site integrations.

All underlying measures include the revenue and operational results of both continuing and discontinued businesses until the point of sale of the operation.

Net debt is defined as the net of cash and cash equivalents less borrowings at the balance sheet date.

Operating segments

The chief operating decision making body for the Group has been identified as the Board. It reviews the Group's internal reporting in order to assess performance and allocate resources, which is based on the Group's operating Divisions and has been used to determine operating segments. These segments are described further in note 2. Details of the composition and purpose of the Board can be found on page 38 of the 2009 Annual Report and Accounts.

The Board assesses the performance of operating divisions based on revenue, trading profit as defined above and operating cash generation. Interest income and expenditure, and taxation are not segmented and are reviewed by the Board on a Group basis.

2. Segment information

The Group has four reportable segments which are the operating Divisions whose revenue and results are reported to the Board. The principal activities of these Divisions are as follows:

Cobham Avionics and Surveillance	Providing a suite of end-to-end avionics products, law enforcement and national security solutions, and satellite communication equipment for land, sea and air applications.
Cobham Defence Systems	Critical technology for network centric and intelligence operations, moving information around the digital battlefield with customised and off-the-shelf solutions for people and systems to communicate on land, sea and air.
Cobham Mission Systems	Providing safety and survival systems for extreme environments, nose-to-tail refuelling systems and wing-tip to wing-tip mission systems for fast jets, transport aircraft and rotor craft.
Cobham Aviation Services	Delivering outsourced aviation services for military and civil customers worldwide through military training, special mission flight operations, outsourced commercial aviation and aircraft engineering.

Information is also presented for the combined results of the Technology Divisions, namely Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems.

Head office results (net of recoveries) and costs and recoveries associated with the bid process for the Future Strategic Tanker Aircraft project are not included within the operating segments as described above.

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Revenue			
Avionics and Surveillance	237.0	254.8	487.3
Defence Systems	433.8	436.6	873.0
Mission Systems	171.3	162.7	317.0
Inter-segment revenue (technology divisions)	(9.5)	(11.6)	(23.6)
Sub-total Technology Divisions	832.6	842.5	1,653.7
Aviation Services	131.3	111.4	230.9
Inter-segment revenue	(0.6)	(2.2)	(5.0)
Total segment revenue	963.3	951.7	1,879.6
Revenue - other activities	0.1	0.4	0.8
Total revenue from continuing operations	963.4	952.1	1,880.4
Profit before taxation			
Avionics and Surveillance	38.5	42.5	84.6
Defence Systems	79.9	74.9	164.4
Mission Systems	29.1	27.0	56.8
Elimination of inter-segment items	0.2	-	(0.2)
Sub-total Technology Divisions	147.7	144.4	305.6
Aviation Services	15.7	15.3	31.3
Total segment trading profit	163.4	159.7	336.9
Head office and other activities	3.8	2.0	0.1
Total trading profit	167.2	161.7	337.0
Portfolio restructuring	1.1	(1.7)	(7.7)
Unrealised (loss)/gain on revaluation of currency instruments	(14.7)	46.7	42.9
Amortisation of intangible assets on acquisition	(32.7)	(43.4)	(78.7)
Acquisition related adjustments	(1.0)	(3.2)	(6.9)
Net finance expense	(22.6)	(20.5)	(41.7)
Profit on continuing operations before taxation	97.3	139.6	244.9

3. Finance income and expense

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Finance income:			
Bank interest	2.8	5.0	11.2
Expected return on pension scheme assets	14.9	11.4	23.7
Other finance income	1.2	1.2	2.7
Total finance income	18.9	17.6	37.6
Finance expense:			
Interest on bank overdrafts and loans	(23.2)	(23.1)	(46.2)
Interest on pension scheme liabilities	(15.8)	(14.3)	(28.5)
Other finance expense	(2.5)	(0.7)	(4.6)
Total finance expense	(41.5)	(38.1)	(79.3)
Net finance expense excluding pension schemes	(21.7)	(17.6)	(36.9)
Net finance expense on pension schemes	(0.9)	(2.9)	(4.8)
Net finance expense	(22.6)	(20.5)	(41.7)

4. Retirement benefit obligations

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Net liability at start of period	(115.2)	(51.2)	(51.2)
Amount recognised in the income statement	(3.2)	(5.2)	(8.9)
Contributions paid by employer	7.1	5.5	16.8
Actuarial loss recognised in consolidated statement of comprehensive income	(25.5)	(112.8)	(72.5)
Exchange differences	(0.3)	-	0.6
Net liability at end of period	(137.1)	(163.7)	(115.2)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2010 has increased by £21.9m since 31 December 2009, excluding the deferred tax credit associated with such a shortfall.

The primary driver for the movement is actuarial losses, which are recognised through the consolidated statement of comprehensive income and do not impact the income statement of the Group. The main factors driving these losses are a lower than expected return on investments (impact £11.7m) and the impact on the discounted value of future liabilities from a decreased discount rate (impact of £32.0m), which is derived from corporate bond yields, partly mitigated by a decrease in the long term inflation assumption (impact of £18.2m).

5. Dividends

The following dividends on Ordinary Shares were authorised during the period:

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Final dividend of 3.97p per share for 2009 (2008: 3.61p)	45.7	41.3	41.3
Interim dividend of 1.48p per share for 2009	-	-	16.9
	45.7	41.3	58.2

The final dividend for 2009 was approved at the AGM held on 6 May 2010 and paid to shareholders on 5 July 2010. All other dividends were paid in the period in which they were authorised.

In addition to the above, an interim dividend of 1.628 pence per share (2009: 1.480p per share) in respect of the financial year ended 31 December 2010 was approved by the Board on 4 August 2010 and has not been included as a liability in these financial statements. This will absorb an estimated £18.8m of shareholders' funds and will be paid on 12 November 2010 to shareholders who are on the register of members as at 15 October 2010.

6. Earnings per Ordinary Share (EPS)

		Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Basic EPS				
Earnings attributable to ordinary shareholders	£m	75.3	106.0	185.8
Weighted average number of shares	million	1,149.6	1,141.4	1,142.4
Basic EPS	pence	6.55	9.29	16.26
Diluted EPS				
Earnings attributable to ordinary shareholders	£m	75.3	106.0	185.8
Weighted average number of shares	million	1,149.6	1,141.4	1,142.4
Effect of dilutive securities:				
Options		5.3	2.9	2.8
Long term incentive plans		3.4	1.7	3.6
Diluted number of shares	million	1,158.3	1,146.0	1,148.8
Diluted EPS	pence	6.50	9.25	16.17

During the half year to 30 June 2010, Cobham plc issued 7,592,476 shares (year to 31 December 2009: 6,291,505; half year to 30 June 2009: 2,151,736) upon the exercise of share options for total cash consideration of £10.5m.

7. Underlying profit and earnings per share

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09	
Operating profit	119.9	160.1	286.6	
Portfolio restructuring (credit)/costs	(1.1)	1.7	7.7	
Unrealised losses/(gains) on revaluation of currency instruments	14.7	(46.7)	(42.9)	
Amortisation of intangible assets arising on acquisition	32.7	43.4	78.7	
Transaction related adjustments				
Costs charged post-acquisition for acquired share options	0.6	3.2	6.9	
Other direct costs	0.4	-	-	
Trading profit	167.2	161.7	337.0	
Net finance expense	(22.6)	(20.5)	(41.7)	
Underlying profit before taxation	144.6	141.2	295.3	
Taxation charge on underlying profit	(37.7)	(38.8)	(80.4)	
Non-controlling interests	(0.1)	(0.1)	(0.1)	
Underlying profit after taxation attributable to equity shareholders	106.8	102.3	214.8	
Weighted average number of shares	million	1,149.6	1,141.4	1,142.4
Underlying EPS	pence	9.29	8.96	18.8

As reported in the 2009 Annual Report, the actions relating to the restructuring programme resulting from the Group's strategic review in 2005 were essentially completed by the end of 2009. In the early part of 2010 final settlement of various financial commitments related to these projects was made, resulting in £1.1m of provisions held on the balance sheet at the end of 2009 being released as no longer required. The release of these provisions was credited to non-underlying results on the income statement.

The cumulative pre-tax results of the Group's strategic portfolio restructuring since 2005 were as follows:

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Cumulative profits on disposals	28.8	28.8	28.8
Cumulative restructuring costs	(27.5)	(22.6)	(28.6)
	1.3	6.2	0.2

Underlying administrative expenses, which exclude portfolio restructuring costs, amortisation of intangible assets recognised on acquisition and other transaction related adjustments, were as follows:

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Underlying administrative expenses	91.1	94.5	175.1
% of revenue	9.5%	9.9%	9.3%

8. Property, plant and equipment

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Carrying amount at start of period	318.2	291.1	291.1
Additions	27.3	30.0	74.6
Acquisition of subsidiaries	-	-	0.1
Arising from business combinations in prior years	-	-	(1.2)
Disposals	(0.6)	(0.8)	(1.3)
Depreciation	(25.6)	(22.0)	(47.1)
Reclassification	-	(1.0)	1.0
Foreign exchange adjustments	7.7	(14.5)	1.0
Carrying amount at end of period	327.0	282.8	318.2

Commitments for the acquisition of property, plant and equipment are as follows:

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Commitments	13.1	13.7	8.6

9. Contingent and other liabilities

The Company and various of its subsidiaries are, from time to time, parties to numerous legal proceedings and claims which arise in the ordinary course of business. One claim against a subsidiary is potentially larger than is typical and an arbitration ruling is awaited thereon. Although the outcomes are uncertain, management do not anticipate that these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

10. Notes to the consolidated statement of cash flows

Cash flows from operating activities

£m	Note	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Profit after taxation for the period		75.4	106.1	185.9
Adjustments for:				
Tax charge		21.9	33.5	59.0
Share of post-tax profits of joint ventures		(2.5)	(2.5)	(6.1)
Net finance expense	3	22.6	20.5	41.7
Depreciation		25.8	22.6	47.4
Amortisation of intangible assets		35.4	44.9	83.3
Write back of negative goodwill		-	-	(1.7)
Gain on sale of property, plant and equipment		-	(0.2)	(0.5)
Portfolio restructuring		(1.1)	1.7	7.7
Transaction related adjustments		1.0	3.2	6.9
Unrealised losses/(gains) on revaluation of currency instruments		14.7	(46.7)	(42.9)
Pension contributions in excess of pension expenditure		(4.7)	(3.1)	(7.2)
Share-based payments		4.0	2.0	5.8
Decrease in provisions		(9.0)	(6.6)	(5.8)
Operating cash flows before movements in working capital		183.5	175.4	373.5
Increase in inventories		(7.7)	(21.6)	(19.2)
Decrease in trade and other receivables		1.4	39.7	5.6
(Decrease)/increase in trade and other payables		(14.3)	(23.3)	11.2
Movements in working capital		(20.6)	(5.2)	(2.4)
Cash generated from operations		162.9	170.2	371.1

Reconciliation of net cash flow to movement in net debt

£m	Half year to 30.6.10	Half year to 30.6.09	Year to 31.12.09
Increase in cash and cash equivalents in the period	92.4	77.7	58.4
Net decrease in borrowings	10.9	9.7	70.8
Exchange movements	(64.0)	112.4	99.5
Movement in net debt in the period	39.3	199.8	228.7
Net debt at beginning of period	(412.6)	(641.3)	(641.3)
Net debt at end of period	(373.3)	(441.5)	(412.6)

11. Acquisitions

There were no acquisitions during the period to 30 June 2010. The acquisition of the entire share capital of Argotek, Inc was completed on 21 May 2009 for total consideration of US\$36.25m, including deferred consideration of US\$10m. Full details can be found in the 2009 Annual Report.

12. Related party transactions

Transactions between Cobham plc and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Dividends received from joint ventures are as shown in the consolidated statement of cash flows.

There were no other transactions with related parties which had a material effect on the financial position or performance of the Company during the periods covered by this interim financial report.

Statement of Key Risks & Uncertainties

The Group's principal risks identified in the Annual Report 2009 on pages 28 to 29 remain valid and relate to: shortage of appropriate skills; fixed price contracts; change in the priorities in the US defence market; lower growth in the commercial/general aviation markets; and currency exposure. The Group's risk management process is also detailed in the 2009 Annual Report.

Since the production of that report, there has been some change in the risk profile with the appointment of a new UK Government which is undertaking a Strategic Defence and Security Review (SDSR); the US DoD's intent to introduce acquisition reforms; risks associated with the completion and integration of acquisitions; and ongoing compliance with laws and regulations. All are being monitored and mitigation activities are in place.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Cobham plc are listed on page 32 and 33 of the 2009 Annual Report and Accounts. As disclosed in those accounts Mr J F Devaney was appointed to the Board in February 2010 and Mr D J Turner retired following the AGM on 6 May 2010. A list of current Directors is maintained on the Cobham Group website: www.cobham.com.

By order of the Board

A J Stevens
Chief Executive Officer

W G Tucker
Chief Financial Officer

4 August 2010

Independent review report to Cobham plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2010, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, 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 interim 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 interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 enquiries, 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 interim report for the six months ended 30 June 2010 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
4 August 2010

Notes:

- (a) The maintenance and integrity of the Cobham plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.