PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

7 March 2012

	2010	**2011**	Change
Order intake	£1,799m	**£2,046m**	+14%
Total revenue	£1,903m	**£1,854m**	-3%
Core[1] revenue	£1,630m	**£1,633m**	+0.2%
Underlying[2] trading margin	18.3%	**19.7%**	+1.4%pts
Underlying[2] profit before tax	£306m	**£328m**	+7%
Basic profit before tax	£189m	**£234m**	
Underlying[2] earnings per share (EPS)	19.7p	**22.0p**	+12%
Basic EPS	13.3p	**16.8p**	
Operating cash conversion[3]	79%	**95%**	
Full year recommended dividend per share	6.0p	**8.0p**	+33%

- Group order intake increased 16% at constant translation exchange rates, with book-to-bill of 1.10 times, including important multi-year KC-46A, KC-390 and SATCOM awards
- Modest organic revenue growth[4] in core businesses (excluding the divested Analytic Solutions), with a strong performance in commercial and non US defence/security markets, together representing 56% of revenue
- Underlying EPS growth of 12%, or 13% at constant translation exchange rates
- Run rate of annualised Excellence in Delivery savings at the end of 2013 is now expected to increase from £65m to £75m, at unchanged cost of £131m
- Excellent free cash flow[3] of £288m, with strong operating cash conversion of 95%
- Recommended full year dividend increase of 33%, underpinned by strong earnings and cash generation

Commenting on the results and outlook, John Devaney, Executive Chairman, said:

"We have achieved modest organic growth in our core businesses and 13% underlying EPS growth at constant translation exchange rates, driven by efficiency savings from the Excellence in Delivery programme and good cost control. Conditions in our markets, including the positive trend in our export and commercial markets are expected to continue in 2012. The Board expects to achieve some underlying progress this year, before the full year net impact of the Analytic Solutions divestment and the share buy-back.

"We have made significant steps towards focusing the portfolio on markets where we have technical differentiation and leading positions and we have received some very important, long term awards, building on our attractive market positions. Excellence in Delivery has achieved real operational improvements and better-than-expected efficiency savings and we have a strong balance sheet and a highly cash generative business model, giving us the flexibility to examine attractive acquisition opportunities and increase shareholder distributions. The US Government has confirmed defence and security priorities that favour Cobham and has made some progress in reconciling these to budgetary imperatives. The continued delivery of the strategy gives the Board confidence that we will continue to make progress over the medium term."

ENQUIRIES

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PRELIMINARY RESULTS PRESENTATION INCLUDING WEBCAST AND DIAL-IN DETAILS

There will be a preliminary results presentation at 9.30am UK time on Wednesday, 7 March 2012. The preliminary results presentation will be webcast live on the Cobham website (www.cobhaminvestors.com) and will remain on the website for subsequent viewing. There will also be a listen only dial-in facility available which can be accessed on +44 (0)20 3140 0668, confirmation code 990075# and in the US/Canada on +1 631 510 7490, confirmation code 990075#. The published Annual Report will be available as a download file on www.cobhaminvestors.com from 27 March 2012.

The following notes apply throughout these preliminary results:

1. *All numbers referring to 'core businesses' exclude Analytic Solutions, which was divested in November 2011 and Commercial Systems which the Group plans to divest.*
2. *To assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results. Trading profit has been defined as operating profit from continuing operations excluding the impacts of certain transaction related costs and business restructuring costs as detailed below. Also excluded are the marking to market of non-hedge accounted derivative financial instruments not realised in the period and items deemed by the Directors to be of an exceptional nature. Underlying earnings are defined as trading profit less net underlying finance expense, which excludes the unwinding of acquisition related discounting, and after deducting taxation and non-controlling interests.*

   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 other direct costs associated with business combinations and divestments.

   Business restructuring costs comprise exceptional costs or profits associated with the restructuring of the Group's businesses including costs associated with the Excellence in Delivery programme.

   A reconciliation of operating profit, profit before taxation and profit after taxation attributable to equity shareholders to the respective underlying numbers is shown on page 11.
3. *Operating cash flow is defined as cash generated from operations, after cash flows from the purchase or disposal of property, plant, equipment and intangible assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures. Free cash flow is operating cash flow after net interest, taxation and dividends received from joint ventures.*

   Net debt is defined as the net of cash and cash equivalents less borrowings at the balance sheet date.
4. *Organic revenue growth is defined as revenue growth stated at constant translation exchange rates, excluding the incremental effect of acquisitions and divestments.*
5. *Private Venture (PV or company funded R&D – Research and Development) and R&D measures exclude Aviation Services, where there is no technology investment.*

OVERVIEW OF THE YEAR

Cobham has continued to make good progress in its strategy of focusing on chosen markets where it has scale and differentiation, completing the planned divestment of the non-core Analytic Solutions business in November 2011 for US$350m in cash. In addition, it also made three acquisitions, investing up to US$280m during the year, bringing complementary and differentiated technologies to its existing market positions.

The core businesses, principally excluding Analytic Solutions which has now been divested, achieved organic revenue growth of 0.3% in the year supported by a good performance from Mission Systems and the Aviation Services business. Revenue from both commercial and non US defence/security markets, representing 56% of revenue, grew strongly. As anticipated, revenue growth was constrained by continued uncertainty in the US defence/security market.

Group order intake in the year increased 16% at constant translation exchange rates with the book-to-bill ratio at 1.10 times. At constant translation exchange rates and excluding the impact of acquisitions and disposals, the order book increased 7% on the prior year to £2.5bn. There were also some very important multi-year technology awards including a US$40m order from Inmarsat to be the maritime terminal launch partner on its Global Xpress broadband service, significant orders on the US KC-46A and the Brazilian KC-390 aerial refuelling tankers.

The Excellence in Delivery programme has produced improved operational performance and significant financial benefits, realising £25m of annualised year-on-year efficiency savings, significantly ahead of the £21m target. This was due to headcount and other reductions being achieved earlier than planned at a cost of £39m, well below the previously expected cost of £46m. The Group intends to expand the programme and estimates that the run rate of efficiency savings at the end of 2013 will increase from £65m to £75m, at an unchanged total cost of £131m.

By the end of 2012, a further £8m of annualised, year-on-year efficiency savings are expected to be achieved, with the cumulative programme benefits and costs remaining in line with the original plan.

Driven by Excellence in Delivery efficiency savings and good cost control, the Group's underlying trading margin increased to 19.7% (2010: 18.3%).

In the year, the core businesses invested £129m (2010: £125m) in total on research and development (R&D), which includes both company funded and customer funded investment. This included investment in a number of new or improved technologies such as wireless video links, oxygen generating systems, radio and audio management systems and active electronically scanned array radar systems. Core PV[5] (Private Venture or company funded R&D) investment was £70m (2010: £69m), representing 5.2% (2010: 5.0%) of revenue.

Underlying EPS increased 12% (13% at constant translation exchange rates) to 22.0p (2010: 19.7p), driven by the improvement in the trading margin. The £150m share buy-back programme, completed in November 2011, increased EPS by 3%.

Operating cash conversion was strong at 95% with excellent free cash flow of £288m (2010: £219m). Net debt decreased to £232m (2010: £326m) at the year end, after the completion of the £150m share buy-back programme, with conservative gearing at 0.5 times net debt/EBITDA.

COBHAM'S MARKETS

Cobham operates in three key markets: US defence/security, accounting for 44% of core revenue, non US defence/security and commercial, each accounting for 28% of core revenue.

In the **US defence/security market** while significant uncertainty remains, the US Government is making some progress towards developing a sustainable 10 year plan. At the end of 2011, the President signed the 2012 defence budget, containing flat year-on-year base budget investment accounts, without the prolonged delay in agreeing the prior year budget. The 2013 Presidential base budget request is broadly consistent with 2012, although with investment accounts 4% lower. In addressing the significant budgetary demands, the Secretary of Defense has put forward plans for a modest increase in the base budget up to 2017. Strategic defence priorities have also been formally reiterated with continued focus on a number of key areas, including investment in special operations forces, unmanned systems and electronics. These priorities overlap significantly with Cobham's capabilities and should enable the Group to outperform the defence market over the medium term. In addition to strong positions on legacy platforms, which also have significant export and upgrade potential, such as the F-16 and the F-18 fighter aircraft, the V-22 tiltrotor aircraft and the Predator/Reaper unmanned aerial system, the Group has successfully positioned itself on important future growth platforms including substantial content on the KC-46A aerial refuelling tanker aircraft and the CH-53K heavy lift helicopter. The Group also has a strong position on the F-35 multi-role fighter aircraft and while expected production increases have been slowed, this aircraft retains its significant potential for growth over the medium term.

The **Group's non US defence/security markets** have good potential due to Cobham's breadth of geographic reach and presence on a wide range of platforms and programmes. This enables it to balance continued budgetary pressures, particularly in Europe, with a focus on exports to faster growing geographies such as India, Brazil, the Gulf Cooperation Council countries in the Middle East and parts of South East Asia, where sustained growth in defence/security budgets is expected. The Group has strong, established positions on non US platforms with good export potential such as the A330MRTT aircraft, the Eurofighter Typhoon fighter aircraft and the NH90 utility helicopter. This export driven strategy made progress in the year with important awards on the Brazilian KC-390 aerial refuelling tanker aircraft and on the Eurocopter EC175 and NH90 utility helicopters.

Cobham's **commercial markets** have good growth prospects, being driven by large jet, helicopter and general aviation production and the marine SATCOM market, which has exposure primarily to the oil and gas market and commercial shipping. Cobham also has specialist aviation markets in Australia, with a number of significant customers in the resources industry there. Rising passenger numbers, demand for more fuel efficient aircraft and for improved aviation and marine communication products is expected to drive growth in Cobham's markets. Production at Airbus and Boeing is expected to grow strongly in 2012 and Cobham has good positions on recently launched platforms with increasing production rates, such as the Boeing 787, for which deliveries are expected to increase from 3 aircraft in 2011 to around 40 aircraft in 2012, and the Airbus A380 for which deliveries are expected to increase from 26 aircraft to 32 aircraft. Cobham has also continued to achieve new awards in its commercial aviation markets in the year, including on the new French Skylander commuter aircraft and the Chinese COMAC C919 passenger aircraft. In the marine market, Cobham was chosen by Inmarsat as the maritime terminal launch partner on its new Global Xpress broadband service.

STRATEGY UPDATE

Cobham's strategy is to build and maintain leading market positions in selected faster growing markets, with a high technology focus. It builds scale through investment in the development of leading edge and technically differentiated products and services and through carefully chosen acquisitions, which accelerate organic growth and reinforce the value added content of the Group's products. Cobham is increasingly prioritising technology and acquisition investment that will bring more balance between its defence/security and commercial markets, with focus on products which can be applied to multiple end markets, as this increases the return on investment.

Technology Investment

Cobham has a unique set of differentiated technologies, with leading positions in all its core markets. Maintaining its technical differentiation is central to Cobham's strategy and total R&D investment in the core businesses was £129m (2010: £125m). It has invested £70m (2010: £69m) in PV, representing 5.2% (2010: 5.0%) of revenue. Examples of investment in leading-edge technology include:

- Next generation wireless video links, incorporating dual channel technology and high definition pictures, with each mesh radio or node significantly smaller, lighter and less power consumptive than before. The product has numerous airborne and ground security applications, as well as marine applications for early threat detection on oil and gas wells, and broadcast applications, including for the 2012 Olympics;

- Enhancements to the Ceramic Oxygen Generating System, which increase its oxygen output significantly. This system, which generates pure oxygen without compressed oxygen tanks, is in use in military field hospitals and has commercial applications;

- Development of new de-icing sliprings for the EC175 utility helicopter, which has civilian, homeland security, search and rescue and military applications;

- Leading edge Active Electronically Scanned Array radar subsystems, which provide significantly improved performance and reliability with strong growth prospects in manned and unmanned airborne, marine and land based applications.

Cobham's PV investment is focused on specific areas of customer demand and this approach generates an excellent return on the investment made. For example, the Group has over several years invested US$14m in PV on its Radio and Audio Integration Management System (RAIMS), which has already won sole source positions on some key commercial aircraft programmes. These positions are currently estimated to generate Cobham some US$250m of revenue over the product's life, which does not include potential future awards on other commercial and/or military aircraft.

In addition, not only do Cobham's leading edge products and services provide an excellent return for the Group and enhance customer capability, they often also provide the customer with significant cost savings. In the US Department of Defense (DoD) Fiscal Year 2013 Budget Overview, dated February 2012, Cobham's Microclimate Cooling Units is one of a small number of examples specifically highlighted of capability enhancing technology that will yield a return on investment of fifteen to one for the customer.

Cobham's intention, as investment opportunities present themselves, is to increase PV over time which will drive future revenue and profitability as new or improved products and services are brought to market.

Operational Excellence

The Group is delighted with the progress being made on Excellence in Delivery, Cobham's transformation programme, which was announced in August 2010 and is planned to continue to the end of 2013. There are three components to this programme: the implementation of a Standard Operating Framework across a set of principal locations; the integration of manufacturing facilities; and the implementation of a standard Enterprise Resource Planning (ERP) IT system. The programme is bringing a number of significant operational benefits including improved productivity, shortened manufacturing lead times, improved levels of quality and reduced working capital.

During 2011, improvements to the production operations in 10 principal sites were progressively implemented with the remaining sites to be undertaken in 2012. The planned physical integrations are also starting to deliver efficiencies with nine site integrations completed. Work was started on the design of the new ERP system. In production operations, the benefits from the work done are being reflected in improved operational performance metrics such as on time delivery, first pass quality and productivity and production lead time improvements.

The programme also achieved excellent financial results in 2011 realising £25m of annualised year-on-year efficiency savings, ahead of the £21m savings planned, with outperformance driven by head count and other reductions being achieved earlier than planned. The efficiency savings were achieved at a cost in the year of £39m, well below the previously expected cost of £46m. Cumulative gross costs incurred on the programme to the end of the year were £62m.

Building on the considerable financial and operational success of the programme, the Group intends to expand the scope of Excellence in Delivery, including additional scope for supply chain improvements, with phasing such that significant additional benefits will arise in 2013. As a result, the Group now estimates that the run rate of efficiency savings at the end of 2013 will increase from £65m to £75m, at an unchanged total cost of £131m. Thereafter, operational improvement activities will be embedded in the principal locations as a matter of course.

In 2012, work will continue to consolidate and reinforce the production process improvements in the principal locations along with further work on engineering and supply chain processes. Design of the ERP system will be completed and four more site integrations will be undertaken to build further scale and deliver additional benefits. By the end of 2012, a further £8m of annualised, year-on-year efficiency savings are expected to be achieved, with the cumulative programme benefits and costs remaining in line with the original plan.

Portfolio Optimisation

The Group continues to have a robust balance sheet, good cash generation and a pipeline of attractive technology acquisitions with focus maintained on existing markets, enabling Cobham to build scale and capabilities from the technology synergies created. In addition, the Excellence in Delivery programme gives Cobham an enhanced capability to generate cost synergies, augmenting the value which can be extracted from acquisitions.

Notwithstanding the differentiated technology and attractive market positions that characterise the Group's acquisition pipeline, Cobham is determined only to undertake strategically attractive transactions where these satisfy its financial criteria and disciplined investment approach.

Consistent with its strategy, Cobham has invested up to US$280m on acquisitions before working capital adjustments in 2011, buying companies with differentiated technology in the Group's chosen markets, while also maintaining its financial discipline. The performance of these acquisitions in the year has been accretive to EPS and consistent with plan.

Cobham has continued to make good progress in its strategy to focus on markets where it has scale and differentiation. To this end and as previously announced, Cobham completed the planned divestment of the non-core Analytic Solutions business in November 2011 for US$350m in cash. Good progress is also being made on the divestment of the remaining non-core businesses, with Cobham MAL Limited (Cobham MAL) having been divested in December 2011.

BOARD CHANGES

As announced on 18 November 2011, Andy Stevens, Cobham Chief Executive Officer (CEO), has decided to take early retirement due to the recurrence of a long term serious back injury. He remains on the Board assisting with the management of the Group until a new CEO is appointed. Progress is being made to find a replacement.

As previously announced, Alison Wood joined the Board as a Non-executive Director on 1 July 2011 and Peter Hooley retired as a Non-executive Director at the conclusion of Cobham's Annual General Meeting on 6 May 2011, after nine years service.

FINANCIAL RESULTS

Orders

Group order intake in the year increased to £2,046m (2010: £1,799m), representing 16% growth at constant translation exchange rates. Group book-to-bill in the year was 1.10 times. Excluding Aviation Services, where order intake can be uneven due to its significant, long-term programmes, and the non-core businesses, book-to-bill was 1.05 times.

At the year end, the Group order book was £2.5bn (2010: £2.5bn), including £1.1bn (2010: £1.1bn) for the Aviation Services business. At constant translation exchange rates and excluding the impact of acquisitions and disposals, the order book increased 7% on the prior year.

The Group received some very important multi-year orders during 2011. These include initial orders for engineering and manufacturing development on the US KC-46A aerial refuelling tanker totalling US$73m and orders for the Brazilian KC-390 aerial refuelling tanker totalling US$72m. Other significant orders included a US$40m order from Inmarsat to be the maritime terminal launch partner on its Global Xpress broadband service, a significant AUD500m extension of the Australian QantasLink contract and a €45m contract awarded to a Cobham joint venture to provide helicopter air reconnaissance capability to the Dutch Caribbean Coastguard.

Further progress has been made in 2012, with a further significant award on the KC-46 tanker programme for the supply of body fuel tanks with an initial engineering order received and other significant bids submitted.

Revenue

Analysis of Group Revenue

Group revenue of £1,854m (2010: £1,903m) was adversely impacted by US dollar exchange rates and the net impact of acquisitions and disposals. Organic growth, as anticipated, was marginally negative at -0.6%, due to the performance of the non-core businesses, principally Analytic Solutions which has now been divested. However, in the core businesses organic revenue increased 0.3%.

2010	FX Translation	Acquisitions/Disposals	Organic Growth	2011
£1,903m	**-£31m**	**-£6m**	**-£12m**	**£1,854m**

Average 2011 US$/£ exchange rate = $1.60/£1. Average 2010 US$/£ exchange rate = $1.55/£1.

US defence/security revenue in the core businesses was down 7%, in a year when US DoD investment outlays declined 10%. Non US defence/security revenue increased 5% driven by air refuelling and electronic subsystems exports. Commercial revenue increased 10%, benefiting from increased flying activity for Australian resource industry customers, increased Boeing and Airbus production and revenue from the sale of SATCOM antennas to a range of aerospace and marine customers.

Trading Profit

Group trading profit increased to £365m (2010: £348m), with trading profit in the core businesses increasing to £340m (2010: £312m). Trading profit in the non-core businesses declined to £25m (2010: £36m).

The Group's underlying trading margin increased to 19.7% (2010: 18.3%). The margin in the core businesses increased to 20.8% (2010: 19.1%), driven by Excellence in Delivery and other cost savings.

Underlying Net Finance Expense and Underlying Profit Before Tax

The underlying net finance expense was £37m (2010: £42m). The net interest expense on cash and debt holdings, held primarily in US dollars, reduced to £38m (2010: £40m). As anticipated, there was a non-cash, net finance income of £1m (2010: £2m expense) from pension schemes. This item is expected to be an expense of £2m in 2012.

The Group's underlying profit before tax increased by 7% to £328m (2010: £306m).

Taxation

On an underlying basis, the Group's effective tax rate decreased to 25.5% (2010: 26.5%), in part due to the lower UK tax rate. The effective tax rate is calculated by dividing the Group's underlying tax charge of £81m (2010: £79m) by its underlying profit before tax of £319m (2010: £300m), which is stated after excluding the £9m (2010: £6m) share of post-tax results of joint ventures.

It is anticipated that in 2012 the effective underlying tax rate will decrease by at least a further 1% point, in part due to a decrease in the UK tax rate.

Earnings per Share (EPS)

Underlying EPS increased 12% to 22.0p (2010: 19.7p), driven by the improvement in the trading margin. The £150m share buy-back programme, completed in November 2011, increased EPS by 3%. At constant translation exchange rates underlying EPS increased 13%.

In addition to the above, basic EPS was higher than the comparable period at 16.8p (2010: 13.3p), in part due to £23m (2010: £1m) of post-tax business divestments and similar income and £4m of post-tax insurance income (2010: £19m expense) from a prior year settlement of a commercial dispute. Reducing basic EPS were post-tax business restructuring charges (primarily Excellence in Delivery) of £22m (2010: £9m), which are stated net of the profit on sale of a site in California, USA, post-tax debt and interest rate swap cancellation costs relating to the original financing of a divested business of £11m (2010: £nil), and some smaller items.

Retirement Obligations

The Group operates a number of defined benefit schemes, the most significant being the Cobham Pension Plan. At 31 December 2011, the estimated shortfall for accounting purposes between the value of the defined benefit schemes' assets and the present value of the future liabilities had reduced since the previous year end to £71m before deferred tax (2010: £82m, H1 2011: £68m).

Cash Flow and Net Debt

Operating cash flow, which is stated after capital expenditure but before interest and tax payments, was £337m (2010: £271m). Cash flow benefited from a decrease in working capital and lower net capital expenditure of £50m (2010: £57m). Operating cash conversion was strong at 95% (2010: 79%) of trading profit, before the Group's share of post-tax results of joint ventures.

After net interest and tax payments and the receipt of dividends from joint ventures, the Group generated excellent free cash flow of £288m (2010: £219m), from which it paid dividends of £69m (2010: £65m) and £160m (2010: £7m inflow) on share purchases, of which £150m (2010: nil) related to the share buy-back programme.

In addition, the Group made £37m (2010: £13m) of payments relating to Excellence in Delivery and received net proceeds of £77m (2010: £35m outflow) relating to acquisitions and divestments and other items.

At the year end, after funding and exchange movements, net debt which comprises short term cash balances and fixed term borrowings, decreased to £232m (2010: £326m). Included above were exchange movements of £5m which increased net debt, 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.

At 31 December 2011, the Group was conservatively geared at 0.5 times net debt/EBITDA, giving it flexibility and a range of strategic options.

Share Buy-back

As previously announced, the Group completed its share buy-back programme of up to £150m in November. A total of 76m shares, representing 6.6% of the issued ordinary share capital have been purchased for £150m, excluding transaction costs, and held in treasury.

At the close of business on 31 December 2011, there were 1,079m (31 December 2010: 1,155m) ordinary shares in issue, excluding the shares held in treasury. The weighted average number of shares in the year attributable to ordinary shareholders was 1,118m (31 December 2010: 1,151m) or 1,121m (31 December 2010: 1,157m) on a diluted basis.

Acquisitions and Divestments

As previously announced, Cobham divested the non-core Analytic Solutions business for US$350m in November 2011 and the Engineering Consultancy business in February 2011 for £13.5m. In addition, Cobham MAL, part of the remaining non-core businesses, was divested for a nominal sum in December 2011.

Also previously announced was the acquisition of Telerob GmbH (Telerob), which was purchased for €78m in January 2011, and Corp Ten International Inc. in February 2011 for up to US$24m. These businesses complement existing capabilities in Cobham's homeland security markets. In October 2011, Trivec-Avant Corporation was purchased for up to US$144m, bringing with it industry leading SATCOM capabilities that align with Cobham's Antenna Systems business.

Dividends

Given the Group's high dividend cover, strong balance sheet, highly cash generative business model and confidence in its future prospects, the Board has decided to make a one-off step change to the 2011 shareholder dividend. The Board is recommending a final dividend of 6.20p (2010: 4.372p). Together with an interim dividend of 1.80p (2010: 1.628p), this will result in a total dividend of 8.00p (2010: 6.00p) per share, an increase of 33% on the prior year. The 2012 interim dividend will be rebalanced to reflect the normal split between the interim and full year dividend. The shares will be traded ex-dividend on 2 May 2012. The dividend is payable on 1 June 2012 to all shareholders on the register at 4 May 2012, subject to shareholder approval.

The fixed cumulative preferential dividend payment on the 6 per cent, second cumulative preference shares of £1 each has been approved by the Board at the rate of 6p per share (2010: 6p). The dividend in respect of the year ended 31 December 2011 will be paid on 1 June 2012 to all shareholders on the register at 4 May 2012.

RECONCILIATION OF UNDERLYING PROFIT

Trading profit is calculated as follows: £m	2010	2011
Result before joint ventures	224	**252**
Share of post-tax results of joint ventures	6	**9**
Operating profit	230	**261**
Adjusted to exclude:		
Business restructuring - primarily Excellence in Delivery	18	**32**
Unrealised movements in non-hedge accounted derivative financial instruments	3	**6**
Amortisation of intangible assets arising on acquisition	63	**68**
Settlement of commercial dispute	28	**(6)**
M&A related adjustments	6	**4**
Trading profit	348	**365**

Underlying profit before tax is calculated as follows: £m	2010	2011
Profit before taxation	189	**234**
Adjusted to exclude:		
Business restructuring - primarily Excellence in Delivery	18	**32**
Unrealised movements in non-hedge accounted derivative financial instruments	3	**6**
Amortisation of intangible assets arising on acquisition	63	**68**
Settlement of commercial dispute	28	**(6)**
M&A related adjustments	6	**4**
Business divestments and similar income	(1)	**(27)**
Debt and interest rate swap cancellation costs relating to original financing of divested business	-	**15**
Unwinding of acquisition related discounting	-	**2**
Underlying profit before taxation	306	**328**

Profit after tax used in the calculation of underlying EPS is calculated as follows: £m	2010	2011
Profit after taxation attributable to equity shareholders	153	**188**
Adjusted to exclude (after tax):		
Business restructuring - primarily Excellence in Delivery	9	**22**
Unrealised movements in non-hedge accounted derivative financial instruments	2	**4**
Amortisation of intangible assets arising on acquisition	40	**45**
Settlement of commercial dispute	19	**(4)**
M&A related adjustments	5	**3**
Business divestments and similar income	(1)	**(23)**
Debt and interest rate swap cancellation costs relating to original financing of divested business	-	**11**
Unwinding of acquisition related discounting	-	**1**
Underlying profit after taxation	227	**247**
Underlying earnings per ordinary share (pence)	19.7	**22.0**

DIVISIONAL REVIEW

Group Operating Summary

	Revenue		Trading Profit	
	2010	**2011**	2010	**2011**
£m				
Cobham Aerospace and Security	682	**637**	156	**152**
Margin			*22.8%*	***23.9%***
Cobham Defence Systems	362	**324**	53	**58**
Margin			*14.7%*	***17.9%***
Cobham Mission Systems	321	**372**	65	**88**
Margin			*20.3%*	***23.5%***
Cobham Aviation Services	274	**308**	36	**44**
Margin			*13.3%*	***14.3%***
Head Office and Other	(9)	**(8)**	2	**(2)**
Core Businesses	1,630	**1,633**	312	**340**
Margin			*19.1%*	***20.8%***
Non-core Businesses	273	**221**	36	**25**
Margin			*13.3%*	***11.1%***
Cobham Group	1,903	**1,854**	348	**365**
Margin			*18.3%*	***19.7%***

Cobham Aerospace and Security

	2010	Acquisitions/Disposals & Currency Translation	Organic	**2011**
£m				
Revenue	682	(27)	(18)	**637**
Margin	22.8%	0.7%	0.4%	**23.9%**

Total revenue was down due to an adverse US dollar exchange rate, a net reduction from acquisitions and disposals and an organic decline of 3%. Many of the Division's commercial businesses continued to improve but this was offset by some of the defence/security businesses, in particular, the Tactical Communications and Surveillance business, where there was lower land based vehicle intercoms revenue, which has normalised with exit strategies for Iraq and Afghanistan. There were also reduced shipments of surveillance equipment, particularly in the US.

The margin increased to 23.9% (2010: 22.8%) driven in part by Excellence in Delivery and other efficiency savings. As anticipated at the half year, a further gain was achieved from reduced costs following changes to the rate of certain UK pension increases. This amounted to £13m in the year (H1 2011: £3m) but was almost entirely offset by increased costs, including those related to programme and technology developments. These were one-time adjustments, relating largely to estimates in previous periods, and are now finalised.

Areas of growth included:

- Deliveries of Radio and Audio Integration Management System benefited from increased Airbus A380, A330 and Airbus narrow body production rates, and will benefit further from anticipated 2012 production increases;
- Sales of Cobham's new Digital Audio System to Eurocopter France increased three fold, following a switch from analogue technology, with positions won on an increasing number of Eurocopter platforms;
- The marine SATCOM business, driven by revenue from product development work, including on the Inmarsat Global Xpress product and for the US Navy, and from shipment of new products;
- Increased revenue from the hand-held 'Minehound' mine detector, as a result of its proven military and homeland security performance;
- Strong demand has continued for video wireless links including the latest mesh radio products, high resolution cameras and high definition downlink products. These products have been used in the roll-out of 'Safe City' initiatives, security applications and in sports and movie events, including the 2012 Olympics.

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

- Cobham's HGA-7001 aircraft SATCOM antenna has been selected by Virgin Atlantic and Emirates airlines for 2012 cabin upgrade programmes. This successful antenna enables Inmarsat SwiftBroadband, for broadband internet usage in flight. It has now been selected by 40 airlines and other customers to date, and is also certified on a range of new-build Airbus, Boeing and other commercial aircraft;
- A range of new SATCOM products are being developed in anticipation of rapid growth in the Ka band market;
- Expected significant production increases on Eurocopter NH90 and EC175 helicopters, together with new awards for the supply and maintenance of main and tail rotor sliprings;
- Supply of the complete avionics suite on the SK105 Skylander commuter aircraft, with first hardware deliveries expected in 2012.

Cobham Defence Systems

	2010	Currency Translation	Organic	**2011**
£m				
Revenue	362	(13)	(25)	**324**
Margin	14.7%	0.1%	3.1%	**17.9%**

Total revenue was down due to an adverse US dollar exchange rate and an organic decline of 7%. The business is almost entirely focused on the US defence market with orders and revenue affected by the 10% reduction in investment outlays in this market in the year. In particular, there was lower revenue from the sale of land based antennas and airborne electronic warfare products.

The margin increased to 17.9% (2010: 14.7%) primarily due to Excellence in Delivery efficiency savings, good cost control and favourable margins in the first half on the completion of current phases of certain production contracts.

Areas of growth included:

- First low rate production deliveries of electronic warfare subsystems on the F-35 programme, as subsystems completed development and qualification;
- Missile guidance subsystems, particularly for the Advanced Anti-Radiation Guided Missile and Advanced Medium Range Air-to-Air Missile programmes;
- Good revenue from the development of integrated assemblies for the US Air Missile Defence Radar programme.

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

- Completion of qualification and delivery of the first integrated radar subsystems for the Apache Block III attack helicopter. The programme enters production in 2012 and will be deployed by the US Army and several other armed forces;
- First shipments of electronic warfare equipment on an F-15 fighter aircraft upgrade programme, with revenue expected to increase from US and export shipments;
- Release by the US Government in late 2011 and early 2012 of the next tranche of Wideband Global Satellite awards to Boeing, after a gap in funding, with Cobham as a significant supplier.

Cobham Mission Systems

	2010	Acquisition & Currency Translation	Organic	**2011**
£m				
Revenue	321	24	27	**372**
Margin	20.3%	(0.1)%	3.3%	**23.5%**

Total revenue was up due to organic growth of 8% driven by the Mission Equipment business, primarily due to increased revenue from aerial refuelling products and strong aftermarket sales. Headline revenue also benefited from the January 2011 acquisition of Telerob, which was partly offset by the adverse US dollar exchange rate.

The margin increased to 23.5% (2010: 20.3%) benefiting from a higher margin sales mix, including recognition of a key milestone on the UK Future Strategic Tanker Aircraft aerial refuelling programme, and good savings achieved from facility integrations completed in previous years and from Excellence in Delivery.

Areas of growth included:

- Engineering revenue on aerial refuelling programmes in development, including the US KC-46, the Brazilian KC-390 and the European A400M tanker programmes;
- Shipments of fifth generation A330MRTT aerial refuelling equipment for the UK, Australia, Saudi and UAE air forces;
- Shipments relating to C-130 aerial refuelling programmes for the US and for export and strong aftermarket sales on legacy platforms;
- Shipments of light weight rail missile launchers to a new US customer;

- Oxygen and nitrogen gas systems on a range of aircraft programmes including the US F-15 and F-16 fighter aircraft, the Korean T-50, the Brazilian Embraer ALX and the US Hawker T-6 trainer aircraft, as well as the US Apache attack helicopter.

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

- Wins on the significant and long-term US KC-46 and Brazilian KC-390 aerial refuelling programmes, with significant initial contract awards;
- First deliveries of the new Boeing 787 commercial aircraft, which utilises Cobham's nitrogen gas system, with aircraft deliveries scheduled to increase from 3 in 2011 to around 40 in 2012;
- Selection on a number of prestigious space programmes including awards for the nitrogen oxygen recharge system on the International Space Station, pressure control regulators for US deep space exploration initiatives and specialist propellant tanks for US satellite launches;
- Following the integration of Telerob, opportunities for unmanned ground systems are now being pursued in the US market along with continuing interest in the global market.

Cobham Aviation Services

	2010	Currency Translation	Organic	**2011**
£m				
Revenue	274	15	19	**308**
Margin including Joint Ventures	13.3%	(0.2)%	1.2%	**14.3%**
Margin excluding Joint Ventures	11.1%	(0.1)%	0.3%	**11.3%**

Total revenue, which excludes joint ventures, was up due to organic growth of 7%, primarily due to the Australian operations and a favourable Australian dollar translation rate.

The margin increased to 14.3% (2010: 13.3%), primarily driven by an increased contribution from the Division's joint ventures, whose profit after tax is consolidated within trading profit.

Areas of growth included:

- Further progress made in Australia as certain key resource sector customers extended contracts, while others expanded operations, contracting for more or larger aircraft;
- Operation of the fourth BAe146 aircraft supporting the Australian Air Express freight contract was extended with increased utilisation;
- Conversion work commenced on the UK tanker programme, with the first two A330MRTT aircraft inducted into the modification programme.

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

- A significant AUD500m order was received in Australia to extend and expand the B717 QantasLink contract, with the additional aircraft to commence operations in 2012;

- Activity in the resources industry in Australia remains robust with opportunities to increase the number of aircraft flown or provide larger aircraft;
- Also within Australia Cobham is able to operate its BAe 146 regional jets from February 2012 into gravel or unsealed airstrips. This will be the only capability of its type in Australia, coming on line to provide large sections of the resource industry with quieter, safer, faster and more comfortable jet services, replacing existing prop aircraft;
- Initial tests were completed on an Australian Sentinel Dash 8 aircraft, to enable it to undertake incremental Search and Rescue services for the Australian government in the north of Australia;
- A €45m contract to a Cobham joint venture to provide helicopter air reconnaissance capability to the Dutch Caribbean Coastguard, starting in 2012.

Non-core Businesses

	2010	Disposals & Currency Translation	Organic	**2011**
£m				
Revenue	273	(36)	(16)	**221**
Margin	13.3%	0.2%	(2.4)%	**11.1%**

The Group's non-core businesses comprise Analytic Solutions, which was divested in November 2011, and Commercial Systems which is in the course of divestment.

Total revenue was down as a result of the adverse US dollar exchange rate and an organic decline of 6%. Both Analytic Solutions and Commercial Systems improved on their first half revenue performance, with Commercial Systems benefiting from stabilisation in the smaller aircraft avionics market and new product launches in the emergency beacons business.

OUTLOOK

Cobham has achieved modest organic revenue growth in its core businesses and 13% underlying EPS growth at constant translation exchange rates, driven by efficiency savings from the Excellence in Delivery programme and good cost control. Conditions in the Group's markets, including the positive trends in export and commercial markets are expected to continue in 2012. The Board expects to achieve some underlying progress this year, before the full year net impact of the Analytic Solutions divestment and the share buy-back.

The Group has made significant steps towards focusing the portfolio on markets where it has technical differentiation and leading positions and it has received some very important, long term awards, building on its attractive market positions. Excellence in Delivery has achieved real operational improvements and better-than-expected efficiency savings and the Group has a strong balance sheet and a highly cash generative business model, giving it the flexibility to examine attractive acquisition opportunities and increase shareholder distributions. The US Government has confirmed defence and security priorities that favour Cobham and has made some progress towards reconciling these with budgetary imperatives. The continued delivery of the strategy gives the Board confidence that Cobham will continue to make progress over the medium term.

- E n d s -

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
For the year ended 31 December 2011

£m	Note	2011	2010
Revenue	2	1,854.4	1,902.6
Cost of sales		(1,271.1)	(1,298.1)
Gross profit		583.3	604.5
Selling and distribution costs		(81.0)	(87.2)
Administrative expenses		(250.2)	(293.2)
Share of post-tax results of joint ventures		9.4	6.0
Operating profit		261.5	230.1
Finance income	6	43.8	37.8
Finance expense excluding debt and interest rate swap cancellation costs relating to original financing of divested business		(82.7)	(80.1)
Debt and interest rate swap cancellation costs relating to original financing of divested business		(15.4)	-
Finance expense	6	(98.1)	(80.1)
Business divestments and similar income	11	27.1	1.5
Profit before taxation	2	234.3	189.3
Taxation	7	(46.3)	(36.5)
Profit after taxation for the year		188.0	152.8
Profit attributable to equity shareholders		187.9	152.7
Profit attributable to non-controlling interests		0.1	0.1
Profit after taxation for the year		188.0	152.8

All activities of the Group are classed as continuing in the current and comparative year.

	Note	2011	2010
Earnings per Ordinary Share	5		
Basic		16.80p	13.27p
Diluted		16.76p	13.20p

Consolidated statement of comprehensive income
For the year ended 31 December 2011

£m	2011	2010
Profit after taxation for the year	188.0	152.8
Net translation differences on investments in overseas subsidiaries	(2.4)	20.8
Actuarial (loss)/gain on pensions	(40.6)	15.6
Actuarial loss on other retirement obligations	-	(0.4)
Reclassification of cash flow hedge fair values	20.4	14.5
Movements in hedge accounted derivative financial instruments	(8.1)	(21.9)
Tax effects	7.0	(3.6)
Other comprehensive (expense)/income for the year	(23.7)	25.0
Total comprehensive income for the year	164.3	177.8
Attributable to:		
Equity holders of the parent	164.2	177.7
Non-controlling interests	0.1	0.1
	164.3	177.8

Trading profit is calculated as follows:

£m	Note	2011	2010
Operating profit		261.5	230.1
Adjusted to exclude:	3		
Business restructuring - primarily Excellence in Delivery		31.9	17.5
Unrealised movements in non-hedge accounted derivative financial instruments		5.4	2.8
Amortisation of intangible assets arising on business combinations		68.0	63.3
Settlement of commercial dispute		(6.0)	28.8
M&A related adjustments		4.1	5.9
Trading profit	3	364.9	348.4

COBHAM

Consolidated balance sheet
As at 31 December 2011

£m	2011	2010
Assets		
Non-current assets		
Intangible assets	917.6	1,048.4
Property, plant and equipment	318.6	339.7
Investment properties	11.2	11.2
Investments in joint ventures	16.1	17.2
Trade and other receivables	16.9	19.3
Deferred tax	18.3	11.4
Derivative financial instruments	1.1	0.5
	1,299.8	1,447.7
Current assets		
Inventories	304.6	287.4
Trade and other receivables	300.6	339.0
Current tax receivables	1.2	15.7
Derivative financial instruments	1.4	6.5
Cash and cash equivalents	345.6	473.0
Assets classified as held for sale	30.3	1.6
	983.7	1,123.2
Liabilities		
Current liabilities		
Borrowings	(225.7)	(315.9)
Trade and other payables	(336.6)	(359.3)
Provisions	(37.1)	(37.8)
Current tax liabilities	(129.3)	(100.0)
Derivative financial instruments	(13.4)	(14.8)
Liabilities classified as held for sale	(6.9)	-
	(749.0)	(827.8)
Non-current liabilities		
Borrowings	(352.4)	(483.2)
Trade and other payables	(50.7)	(32.2)
Provisions	(8.0)	(4.6)
Deferred tax	(15.5)	(37.7)
Derivative financial instruments	(17.6)	(27.2)
Retirement benefit obligations	(71.2)	(82.0)
	(515.4)	(666.9)
Net assets	1,019.1	1,076.2
Equity		
Share capital	28.9	28.9
Share premium account	126.6	126.6
Other reserves	83.8	69.8
Retained earnings	779.3	850.5
Total shareholders' equity	1,018.6	1,075.8
Non-controlling interests in equity	0.5	0.4
Total equity	1,019.1	1,076.2

Net debt	(232.5)	(326.1)

Approved by a duly appointed and authorised committee of the Board on 6 March 2012 and signed on its behalf:

J Devaney W Tucker

Directors

Consolidated statement of changes in equity
For the year ended 31 December 2011

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total share-holders' equity	Non-controlling interests 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 year	-	-	-	152.7	152.7	0.1	152.8
Net translation differences on investments in overseas subsidiaries	-	-	20.8	-	20.8	-	20.8
Actuarial gain on pensions	-	-	-	15.6	15.6	-	15.6
Actuarial loss on other retirement obligations	-	-	-	(0.4)	(0.4)	-	(0.4)
Reclassification of cash flow hedge fair values	-	-	14.5	-	14.5	-	14.5
Movements in hedge accounted derivative financial instruments	-	-	(21.9)	-	(21.9)	-	(21.9)
Tax effects	-	-	1.5	(5.1)	(3.6)	-	(3.6)
Total comprehensive income for the year	-	-	14.9	162.8	177.7	0.1	177.8
Issue of shares	0.3	11.4	-	-	11.7	-	11.7
Purchase of treasury shares	-	-	-	(4.6)	(4.6)	-	(4.6)
Dividends authorised (note 4)	-	-	-	(64.6)	(64.6)	-	(64.6)
Share-based payments	-	-	7.3	-	7.3	-	7.3
Transfer of share options reserve on vesting of PSPs	-	2.7	(2.7)	-	-	-	-
Transfer of share options reserve on exercise	-	-	(4.6)	4.6	-	-	-
Release of hedge reserve	-	-	2.6	-	2.6	-	2.6
Tax effects	-	-	(1.5)	(0.8)	(2.3)	-	(2.3)
Total equity at 31 December 2010	28.9	126.6	69.8	850.5	1,075.8	0.4	1,076.2
Profit for the year	-	-	-	187.9	187.9	0.1	188.0
Net translation differences on investments in overseas subsidiaries	-	-	(2.4)	-	(2.4)	-	(2.4)
Actuarial loss on pensions	-	-	-	(40.6)	(40.6)	-	(40.6)
Reclassification of cash flow hedge fair values	-	-	20.4	-	20.4	-	20.4
Movements in hedge accounted derivative financial instruments	-	-	(8.1)	-	(8.1)	-	(8.1)
Tax effects	-	-	(2.3)	9.3	7.0	-	7.0
Total comprehensive income for the year	-	-	7.6	156.6	164.2	0.1	164.3
Purchase of treasury shares	-	-	-	(159.5)	(159.5)	-	(159.5)
Dividends authorised (note 4)	-	-	-	(69.4)	(69.4)	-	(69.4)
Share-based payments	-	-	6.1	-	6.1	-	6.1
Dividend equivalents paid on vesting of PSP and BCP awards	-	-	(0.2)	-	(0.2)	-	(0.2)
Transfers of other reserves to retained earnings	-	-	(1.1)	1.1	-	-	-
Release of hedge reserve	-	-	3.6	-	3.6	-	3.6
Tax effects	-	-	(2.0)	-	(2.0)	-	(2.0)
Total equity at 31 December 2011	28.9	126.6	83.8	779.3	1,018.6	0.5	1,019.1

Consolidated cash flow statement
For the year ended 31 December 2011

£m	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations	8	392.9	299.7
Other costs related to business combinations		(2.4)	(6.1)
Restructuring costs		(37.0)	(13.4)
Tax paid		(24.3)	(21.6)
Interest paid		(42.4)	(45.1)
Debt and interest rate swap cancellation costs relating to original financing of divested business		(15.4)	-
Interest received		9.4	7.9
Net cash from operating activities		280.8	221.4
Cash flows from investing activities			
Dividends received from joint ventures		8.1	6.0
Purchase of property, plant and equipment		(48.6)	(64.9)
Purchase of intangible assets		(2.0)	(1.9)
Capitalised expenditure on intangible assets		(0.2)	(0.3)
Proceeds on disposal of property, plant and equipment		1.0	10.0
Provision of loan to joint venture		(8.0)	-
Acquisition of subsidiaries net of cash acquired	10	(147.8)	(18.9)
Proceeds of business divestments	11	230.4	6.4
Proceeds on disposal of assets previously held for sale		16.9	23.2
Net deferred and contingent consideration		(2.6)	(2.6)
Additional pension contributions related to divestment in prior years		-	(7.9)
Net cash from/(used in) investing activities		47.2	(50.9)
Cash flows from financing activities			
Issue of share capital		-	11.7
Dividends paid	4	(69.4)	(64.6)
Purchase of treasury shares		(159.5)	(4.6)
New borrowings		7.3	98.3
Repayment of borrowings		(246.7)	(114.2)
Net cash used in financing activities		(468.3)	(73.4)
Net (decrease)/increase in cash and cash equivalents		(140.3)	97.1
Cash and cash equivalents at start of year		470.7	361.4
Exchange movements		1.5	12.2
Cash and cash equivalents at end of year		331.9	470.7

1. Basis of preparation

The financial information set out in this statement does not constitute the Group's statutory accounts for the years ended 31 December 2011 and 31 December 2010.

Statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies, and those for 2011 will be delivered following the Company's Annual General Meeting.

The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

The attached audited financial information and the full Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, International Financial Reporting Interpretation Council (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

There were no changes to previously published accounting policies or other adjustments required on adoption of new or amended standards which became applicable in 2011.

2. Segmental information

Operating segments

The Group reports four segments whose revenue and results are reported to the Board. The principal activities of these segments are as follows:

Cobham Aerospace and Security	Providing end-to-end avionics and communication equipment, 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 weapons carriage and release equipment for fast jets, transport aircraft and rotor craft, and remote controlled robots and fully-equipped bomb disposal vehicles for homeland security and military applications.
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.

Changes to the Group's segmental reporting structure were announced in February 2011, to bring together businesses with similar markets or technology consistent with the Group's strategic objective of creating scale in each of its markets.

To reflect these changes, Avionics and Surveillance has been renamed Aerospace and Security to better reflect the operations of this division. A number of businesses were moved from Defence Systems to Aerospace and Security including Defence Communications, Antenna Systems, Passive Microwave Products and US Composites.

Further changes to the segmental reporting structure followed the announcement in the interim management statement released on 6 May 2011 that the Group was planning to divest two non-core businesses, Analytic Solutions and Commercial Systems. The segmental results shown below reflect the current structure of the results as reported to the Board, with non-core businesses reported as a separate segment.

The comparative information shown below has been restated to reflect these changes.

£m	Note	Revenue 2011	Revenue 2010 (as restated)	Profit before taxation 2011	Profit before taxation 2010 (as restated)
Aerospace and Security		637.0	681.8	152.5	155.7
Defence Systems		323.9	361.7	57.9	53.2
Mission Systems		371.8	320.8	87.5	65.1
Aviation Services		308.1	273.5	44.1	36.4
Head office, other activities and elimination of inter-segment items		(7.2)	(7.8)	(1.6)	1.7
Core Group		1,633.6	1,630.0	340.4	312.1
Non-core businesses		220.8	272.6	24.5	36.3
Total Group		1,854.4	1,902.6	364.9	348.4
Business restructuring - primarily Excellence in Delivery				(31.9)	(17.5)
Unrealised movements in non-hedge accounted derivative financial instruments				(5.4)	(2.8)
Amortisation of intangible assets on acquisition				(68.0)	(63.3)
Settlement of commercial dispute				6.0	(28.8)
M&A related adjustments				(4.1)	(5.9)
Net finance expense	6			(54.3)	(42.3)
Business divestments and similar income	11			27.1	1.5
Profit before taxation				234.3	189.3

The Group's share of the post-tax results of joint ventures totalling £9.4m (2010: £6.0m) arises in the Cobham Aviation Services segment.

Depreciation of property, plant and equipment, investment properties and amortisation of internally generated intangibles are included in the calculation of trading profit as provided to the Board. Segment assets are not reviewed by the Board.

£m	Depreciation and amortisation 2011	Depreciation and amortisation 2010 (as restated)	Segment assets 2011	Segment assets 2010 (as restated)
Aerospace and Security	14.1	14.7	655.7	589.0
Defence Systems	13.3	12.6	518.0	538.2
Mission Systems	5.8	5.2	357.8	277.8
Aviation Services	25.4	22.7	228.2	238.5
Head office, other activities and elimination of inter-segment items	0.5	1.9	64.9	55.5
Core Group	59.1	57.1	1,824.6	1,699.0
Non-core businesses	2.3	2.6	75.2	347.6
Segment total	61.4	59.7	1,899.8	2,046.6
Interests in joint ventures	-	-	16.1	17.2
Unallocated assets	-	-	367.6	507.1
Total Group	61.4	59.7	2,283.5	2,570.9

Geographical information

Revenue

Revenue from external customers analysed by their geographical location, irrespective of the origin of the goods and services, is shown below. Revenue from customers located in individual countries within the EU (except the UK) and the Rest of the World is not considered to be individually material.

£m	UK	USA	Australia	Other EU countries	Rest of the World	Total
Year to 31 December 2011	170.6	1,040.2	219.0	253.3	171.3	1,854.4
Year to 31 December 2010	169.5	1,150.6	188.1	235.7	158.7	1,902.6

Non-current assets

Non-current assets below exclude financial instruments and deferred tax assets.

Year to 31 December 2011	223.1	762.4	121.7	131.3	41.9	1,280.4
Year to 31 December 2010	246.1	955.0	127.3	66.9	40.5	1,435.8

3. Underlying profit and earnings per share

£m	2011	2010
Operating profit	261.5	230.1
Business restructuring - primarily Excellence in Delivery	31.9	17.5
Unrealised movements in non-hedge accounted derivative financial instruments	5.4	2.8
Amortisation of intangible assets arising on business combinations	68.0	63.3
Settlement of commercial dispute	(6.0)	28.8
M&A related adjustments	4.1	5.9
Trading profit	364.9	348.4
Net underlying finance expense	(37.0)	(42.3)
Underlying profit before taxation	327.9	306.1
Taxation charge on underlying profit	(81.2)	(79.5)
Non-controlling interests	(0.1)	(0.1)
Underlying profit after tax attributable to equity shareholders	246.6	226.5
Underlying basic EPS	22.05p	19.68p
Underlying diluted EPS	22.00p	19.58p

Business restructuring costs of £38.5m (2010: £23.4m) were incurred as part of the Group's Excellence in Delivery programme. All costs were incremental to normal operations and exclusively relate to the design and implementation of Standard Operating Frameworks within the sites identified as principal locations, site consolidation, asset write downs and workforce reduction costs. Business restructuring in 2011 also includes a gain of £6.6m on the disposal of property held for sale at 31 December 2010 following a site integration. In 2010 other business restructuring primarily related to profits from the sale of part of a site due to the relocation of a business to a site with a smaller footprint.

Underlying profit excludes the profit on business divestments and similar income (see note 11).

Underlying administrative expenses, which exclude unrealised movements in non-hedge accounted derivative financial instruments, business restructuring, amortisation of intangible assets recognised on business combinations, the settlement of a commercial dispute and other M&A related adjustments, amounted to:

£m	2011	2010
Underlying administrative expenses	146.8	174.9
% of revenue	7.9%	9.2%

4. Dividends

The following dividends on Ordinary Shares were authorised and paid during the year:

£m	2011	2010
Final dividend of 4.372 pence per share for 2010 (2009: 3.971 pence)	49.8	45.8
Interim dividend of 1.800 pence per share for 2011 (2010: 1.628 pence)	19.6	18.8
	69.4	64.6

In addition to the above, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2011 of 6.2 pence per share which will absorb an estimated £66.8m of shareholders' funds. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If authorised, it will be paid on 1 June 2012 to shareholders who are on the register of members as at 4 May 2012. The total dividend in respect of the financial year ended 31 December 2011 will therefore be 8.0 pence per share (2010: 6.0 pence). The total amount payable in respect of 2011 will be £86.4m.

5. Earnings per Ordinary Share

	2011			2010		
	Earnings £m	Weighted average number of shares million	Per-share amount pence	Earnings £m	Weighted average number of shares million	Per-share amount pence
Basic earnings per share (EPS)						
Earnings attributable to ordinary shareholders	187.9	1,118.4	16.80	152.7	1,150.7	13.27
Effect of dilutive securities						
Options		1.6			3.9	
Long term incentive plans		1.1			2.2	
Diluted EPS	187.9	1,121.1	16.76	152.7	1,156.8	13.20

6. Finance income and expense

£m	2011	2010
Finance income:		
Bank interest	8.6	5.4
Expected return on pension scheme assets	32.7	29.9
Other finance income	2.5	2.5
Total finance income	43.8	37.8
Finance expense:		
Interest on bank overdrafts and loans	(40.3)	(43.6)
Interest on pension scheme liabilities	(31.5)	(31.6)
Debt and interest rate swap cancellation costs relating to original financing of divested business	(15.4)	-
Other finance expense	(10.9)	(4.9)
Total finance expense	(98.1)	(80.1)
Net finance expense excluding pension schemes	(40.1)	(40.6)
Debt and interest rate swap cancellation costs relating to original financing of divested business	(15.4)	-
Net finance income/(expense) on pension schemes	1.2	(1.7)
Net finance expense	(54.3)	(42.3)

Other finance expense above includes £3.1m (2010: £3.1m) in relation to interest rate swaps (previously designated as cash flow hedges) which were terminated during 2009 and are being amortised over the life of the original contracts. It also includes £1.9m (2010: £nil) relating to the unwinding of acquisition related discounting, excluded from underlying profit in note 3.

Following the sale of the Analytic Solutions business, US$350.0m of borrowings were repaid during the year. These funds were initially raised to finance the acquisition of the business. The make-whole payments on the early repayment of the debt and the cost of cancelling the associated interest rate swaps, amounting to £15.4m, are excluded from underlying profit in note 3.

7. Income tax expense

£m	2011	2010
Current tax	51.7	34.3
Deferred tax	(5.4)	2.2
Total tax charge for the year	46.3	36.5

Income tax is calculated on the estimated assessable profit for the year at the rates prevailing in the relevant tax jurisdiction. The total tax charge for the year includes £32.1m (2010: £28.4m) for the UK. The tax charge included in share of post-tax results of joint ventures amounts to £2.8m (2010: £2.4m).

8. Notes to the consolidated cash flow statement

Cash flows from operating activities

£m	Note	2011	2010
Operating profit		261.5	230.1
Adjustments for:			
Share of post-tax profits of joint ventures		(9.4)	(6.0)
Depreciation		57.4	54.7
Amortisation of intangible assets excluding that related to restructuring		72.0	68.3
Loss on sale of property, plant and equipment		1.7	2.3
Business restructuring - primarily Excellence in Delivery	3	31.9	17.5
M&A related adjustments	3	4.1	5.9
Unrealised movements in non-hedge accounted derivative financial instruments	3	5.4	2.8
Pension contributions in excess of service cost		(48.8)	(11.4)
Share-based payments		6.1	7.3
Decrease in provisions		(0.5)	(16.6)
Operating cash flows before movements in working capital		381.4	354.9
Increase in inventories		(13.7)	(18.6)
Decrease/(increase) in trade and other receivables		8.6	(1.0)
Increase/(decrease) in trade and other payables		16.6	(35.6)
Movements in working capital		11.5	(55.2)
Cash generated from operations		392.9	299.7

Reconciliation of net cash flow to movement in net debt

£m	2011	2010
(Decrease)/increase in cash and cash equivalents in the year	(140.3)	97.1
Net decrease in borrowings	239.4	15.9
Exchange movements	(5.5)	(26.5)
Movement in net debt in the year	93.6	86.5
Net debt at start of year	(326.1)	(412.6)
Net debt at end of year	(232.5)	(326.1)

Analysis of net debt

Net debt can be analysed as follows:

£m	2011	2010
Cash and cash equivalents	345.6	473.0
Borrowings - current liabilities	(225.7)	(315.9)
Borrowings - non-current liabilities	(352.4)	(483.2)
	(232.5)	(326.1)

9. Retirement benefit obligations

£m	2011	2010
Net liability at start of year	(82.0)	(115.2)
Amounts recognised in the income statement	10.9	(6.5)
Contributions paid by the employer	40.5	24.1
Actuarial (losses)/gains recognised in consolidated statement of comprehensive income	(40.6)	15.6
Net liability at end of year	(71.2)	(82.0)

As part of the Group's risk management strategy for defined benefit obligations, certain liabilities relating to past service of pensioner and deferred members of defined benefit schemes were subject to a buy-in arrangement on 14 December 2011. Under the terms of this arrangement, the schemes impacted transferred assets to an insurance company in return for a qualifying insurance policy which provides annuity payments equal to the liabilities covered by the arrangement as they fall due. This eliminates the Group's exposure to the interest, inflation and longevity risks associated with these liabilities and is a meaningful, but not yet significant, first step of a project to review the Group's exposure to risks associated with pension obligations.

The buy-in did not impact on the reported profits of the Group for the year or on the defined benefit obligations calculated under IAS 19. The insurance contract asset is measured at a value equal to the related liabilities. Contributions of £19.6m were payable into the schemes representing the difference between the cost of this asset and the net obligations transferred.

Additional contributions of £7.9m were paid in 2010 in connection with the disposal of the Fluid and Air group which completed in 2005.

The amount recognised in the income statement also includes £12.5m relating to past service following changes to the rate of certain UK pension increases.

Of the actuarial losses recognised in the year for changes in assumptions underlying present value of scheme liabilities, approximately £60m relating to the decrease in the discount rate mitigated by approximately £40m increase relating to the inflation assumption and £19m relating to changes in the mortality assumption.

10. Business combinations

On 18 January 2011, the purchase of the entire share capital of Telerob Holdings GmbH (Telerob) was completed for €70.6m. The company is based in Germany and manufactures advanced bomb disposal robots and threat response vehicles. It is reported in the Cobham Mission Systems segment.

The acquisition of 100% of the share capital of the US surveillance technology company Corp Ten International Inc. (Corp Ten) was completed on 2 February 2011. Consideration comprises US$13.6m with additional cash consideration of up to US$12.5m contingent upon future performance. Corp Ten reports in the Cobham Aerospace and Security segment.

The completion of the acquisition of the whole of the share capital of Trivec-Avant Corporation (Trivec) was completed on 28 October 2011, for cash consideration of US$126.4m. Additional cash consideration of up to US$18.0m is payable between 2013 and 2014, contingent on future performance. It is reported in the Cobham Aerospace and Security segment.

Components of the cost of the acquisitions during the year are as follows:

£m	Telerob	Corp Ten	Trivec	Total
Cash	59.7	8.4	78.0	146.1
Contingent consideration	-	6.1	9.4	15.5
Deferred consideration	-	-	0.2	0.2
	59.7	14.5	87.6	161.8

Contingent consideration has been provided at fair value which is considered to be the discounted maximum payable under the agreement.

The results of these businesses since the date of acquisition are as follows:

£m	Telerob	Corp Ten	Trivec	Total
Third party revenue	33.2	5.0	3.2	41.4
Operating profit	6.2	1.5	1.4	9.1

If these acquisitions had taken effect on 1 January 2011, it is estimated that Group total revenues would have been £1,872.5m and profit after tax £197.6m. This information is not necessarily indicative of the results had the operations been acquired at the start of the period, nor of future results of the combined operations.

A summary of the fair values of the net assets acquired are as follows:

£m	Telerob	Corp Ten	Trivec	Total
Non-current assets	43.9	10.7	40.7	95.3
Current assets	15.0	2.4	6.3	23.7
Current liabilities	(17.5)	(0.5)	(0.6)	(18.6)
Non-current liabilities	(12.7)	(4.3)	-	(17.0)
Net assets acquired	28.7	8.3	46.4	83.4
Goodwill	31.0	6.2	41.2	78.4
Total consideration	59.7	14.5	87.6	161.8

All intangible assets were recognised at their respective fair values. The residual excess of the total cost over the fair value of the net assets acquired is recognised as goodwill in the financial statements. Goodwill represents the premium paid in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognised. Goodwill of £41.2m is anticipated to be deductible for tax purposes.

Acquired receivables are included in current assets in the table above at their fair values and relate to trade and other receivables which are considered to be recoverable in full.

The net cash flows resulting from business combinations are as follows:

£m	
Cash consideration paid for the business combinations completed in the current year, net of cash acquired	146.6
Consideration relating to business combinations completed in prior periods	1.2
	147.8

M&A related costs recognised within administrative expenses during the year includes £1.5m relating to the above acquisitions.

In the Group consolidated financial statements for the year to 31 December 2010, the fair values of assets and liabilities acquired for RVision were marked as provisional. Following the agreement of the working capital position, the consideration has been adjusted by £0.4m. Goodwill has therefore been increased accordingly.

11. Business divestments and similar income

£m	2011	2010
Net profit on business divestments before tax	25.0	-
Earn-out on divestment of M/A-COM Technology Solutions Inc	9.1	1.5
Goodwill adjustment on business held for sale	(7.0)	-
	27.1	1.5

Divestments during the year to 31 December 2011 were as follows:

On 19 October 2011 the divestment of the Group's Analytic Solutions business was announced, for consideration of US$351.1m on a debt-free, cash-free basis. The divestment was completed on 16 November 2011. The results of Analytic Solutions have been reported within continuing operations as the business sold does not form a separate line of business for the Group and does not qualify for disclosure as a discontinued operation.

The divestment of the Engineering Consultancy Group (ECG), part of Cobham Technical Services (within Aerospace and Security) was completed on 17 February 2011. Consideration comprised £13.5m on a debt-free cash-free basis, realising a net profit on divestment of £4.9m.

In addition, the sale of Cobham MAL Limited (MAL) was completed on 19 December 2011, realising a loss on divestment before tax of £6.4m. MAL forms part of the non-core Commercial Systems business.

The profit on divestments, which has been excluded from trading profit, can be analysed as follows:

£m	Analytic Solutions	ECG and MAL	Total
Gross consideration	222.0	14.5	236.5
Net assets at date of divestment	(187.8)	(16.5)	(204.3)
Expenses of sale	(7.2)	(0.9)	(8.1)
Pension liability curtailment gain	-	1.4	1.4
Foreign exchange adjustments	(0.5)	-	(0.5)
Net profit/(loss) on divestments before tax	26.5	(1.5)	25.0
Tax charge on net profit/(loss) on divestments	-	(0.4)	(0.4)
Net profit/(loss) on divestments after tax	26.5	(1.9)	24.6

Following the sale of the Analytic Solutions business, US$350.0m of borrowings were repaid. These funds were initially raised to finance the acquisition of the business. The make-whole payments on the early repayment of the debt and the cost of cancelling the associated interest rate swaps, amounting to £15.4m, have been disclosed separately in note 6. The net profit on divestment of Analytic Solutions, after excluding these costs and related tax impacts, amounts to £15.2m.

The net cash impact of the divestments is as follows:

£m	Analytic Solutions	ECG and MAL	Total
Cash consideration	220.8	15.0	235.8
Expenses of sale	(4.3)	(1.1)	(5.4)
	216.5	13.9	230.4

The net assets of the Analytic Solutions business divested during the year were as follows:

£m	At date of divestment	At 31 December 2010
Attributable goodwill	128.8	130.2
Other intangible assets	72.9	89.2
Property, plant and equipment	4.5	4.5
Trade and other receivables	38.7	42.2
Trade and other payables including provisions	(30.4)	(34.9)
Deferred tax liability	(26.7)	(32.2)
Net assets	187.8	199.0

The divestment of the Commercial Systems business was announced in May 2011 and treated as non-core for segmental reporting as shown in note 2. As at 31 December 2011 assets and liabilities which form part of the Commercial Systems business have been classified as held for sale in the balance sheet. £7.0m of goodwill has been written down to align the net assets of the business with the likely proceeds of divestment.