INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2011

4 August 2011

	2010	**2011**	Change
Order intake	£937m	**£969m**	+3%
Total revenue	£963m	**£892m**	-7%
Underlying[1] trading margin	17.4%	**18.7%**	+1.3%pts
Underlying[1] profit before tax	£145m	**£149m**	+3%
Basic profit before tax	£97m	**£99m**	
Underlying[1] earnings per share (EPS)	9.3p	**9.8p**	+5%
Basic EPS	6.6p	**7.0p**	
Operating cash conversion[2]	82%	**97%**	
Interim dividend per share	1.628p	**1.80p**	+10.6%

- Organic revenue down 2.6% in core businesses[5] with strong growth in commercial markets
- Underlying EPS growth of 6% at constant translation exchange rates
- Excellence in Delivery measures already implemented to generate annualised £21m of year over year efficiencies in 2011
- Strong free cash flow of £129m with operating cash conversion of 97%
- Robust balance sheet gives flexibility for organic and acquisitive investment, in addition to the £150m share buy-back announced in March 2011
- Interim dividend increased by 10.6% to 1.80p

Andy Stevens, Cobham Chief Executive, said:

"Despite lower revenue reflecting challenging conditions in the US defence and security market, we have delivered 6% underlying EPS growth at constant translation exchange rates with savings from our Excellence in Delivery programme underpinning earnings progression.

"We have seen strong growth in some commercial markets but defence and security has been particularly affected in the first half by the delayed approval of the US budget. We believe the general situation in these markets will persist and we continue to expect the Group's organic revenue growth in 2011 to be marginally negative. Driven by the Excellence in Delivery programme, the Board expects the Group to achieve some underlying progress in the year.

"Despite the challenging backdrop for defence, we have leading positions in attractive commercial markets, technically differentiated products and services in the more attractive and resilient segments of defence and security, together with a strong and flexible balance sheet. We are investing in the future of Cobham with the Excellence in Delivery programme which is rapidly generating efficiency savings and customer benefits and also reconfiguring Cobham to take advantage of the many opportunities in the years ahead. We also continue to rigorously examine our portfolio of companies and acquisition opportunities to further enhance the Group's potential and profile. The Board is actively responding to market conditions and is confident that the Group will continue to make progress over the medium term."

ENQUIRIES

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INTERIM RESULTS PRESENTATION INCLUDING WEBCAST AND DIAL-IN DETAILS

There will be an interim results presentation at 9.30am UK time on Thursday, 4 August 2011. It 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 7136 2054, confirmation code 3466747.

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 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 currency 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 disposals.

   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.

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

   A reconciliation of underlying profit is shown on page 10.

2. *Operating cash flow is defined as cash generated from operations, after cash flows from the purchase or disposal of tangible fixed 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 and taxation.*
3. *Private Venture (PV or company funded R&D – Research and Development) measures exclude Aviation Services, where there is no technology investment.*
4. *Organic revenue growth is defined as revenue growth stated at constant translation exchange rates, excluding the incremental effect of acquisitions and disposals.*
5. *All numbers referring to 'core businesses' exclude Analytic Solutions and Commercial Systems as the Group plans to divest these activities.*

OVERVIEW OF THE HALF YEAR

The Group has received some important multi-year orders including US$73m for the US KC-46 tanker development, US$40m for Inmarsat's Global Xpress programme and £18m for Eurofighter Tranche 3A defensive aids. There was an organic increase in order intake of 4% in the core businesses.

There was good organic[4] revenue growth from Mission Systems and Aviation Services and strong growth in some commercial activities, which in aggregate comprise 29% of revenue in the core businesses. However, revenue growth was affected by the challenging US defence and security market, most notably in Defence Systems which is almost totally focused on US defence. Overall, there was an organic revenue decline in the core businesses of 2.6% in the period.

The Excellence in Delivery programme is making good progress. The standard operating framework for production is already delivering tangible benefits, including significant improvements to on time delivery and reductions in defects and lead times. Good progress is also being made on the planned integration programme, which is also part of Excellence in Delivery. In addition to the announced closure of one site earlier in the year, four sites have been successfully integrated into two new facilities and work is underway to complete the other integration activities planned for 2011.

Driven by incremental efficiency savings, the Group's underlying trading margin increased by 1.3% points to 18.7%, with the margin in the core businesses increasing 1.8% points to 19.9%. The Group is confident of achieving the annualised £21m of planned year over year efficiencies in 2011 as it has already implemented the measures needed to deliver them.

In the core businesses, PV[3] (Private Venture – or company funded Research and Development, R&D) investment was £35m (2010: £36m), equating to 5.6% (2010: 5.2%) of revenue. Including customer funded R&D, technology investment expressed as a percentage of revenue remained in excess of 9%.

Underlying EPS increased 5% (6% at constant translation exchange) to 9.8p, primarily due to the improvement in the underlying trading margin and a lower underlying rate of tax.

Free cash flow generation was strong at £129m, with operating cash conversion of 97%.

The share buy-back programme, which commenced part way through the period, is making good progress but had only a modest impact on the average number of shares in issue in the period. By the period end 27m shares had been purchased at a total cost of £61m.

MARKET UPDATE

The Group's largest market, US defence and security, remained uncertain in the period with continued poor visibility. However, Cobham continued to make progress, being selected on a number of important, multi-year defence programmes such as the KC-46 refuelling tanker for the US Air Force, a further award to develop a cost-effective military radio for use by US Army ground forces under the Wireless Network after Next (WNaN) programme and a contract to upgrade the avionics for US State Department Sikorsky S61 helicopters.

The general slow-down in the US defence and security market in 2010 was exacerbated by the delayed approval of the US government's 2011 budget, leading to a Continuing Resolution being in place until mid-April. This is reflected in US Treasury Department figures showing that defence investment outlays, comprising the procurement and research, development, testing and evaluation (RDT&E) accounts in the base budget, were down by 10% in the first half of 2011 on the comparative period. Continued uncertainty in the US is likely, as politicians debate the future size and shape of government budgets. The Group's UK and Continental European defence and security markets have also faced pressure, although the focused market position in Australia has continued to strengthen. Export markets including India, certain Middle Eastern and South East Asian countries and Brazil present ongoing opportunities to offset weakness in the US and other markets.

Overall, the Group's commercial markets have started to pick-up in the period. Production rates at Airbus and Boeing have increased and further increases are planned, although customer demand for some smaller aircraft remains less robust. Satellite Communication (SATCOM) markets have also shown good signs of improvement, with customers willing to invest in products that provide additional capability and differentiation. This includes the Group's HGA-7001 long range antenna which was selected as standard factory fit on the A380 aircraft in the period and has now also been selected by a total of 24 airlines. The Group's flying activity for the Australian resource industry continues to grow strongly.

STRATEGY UPDATE

Cobham has continued to make steady progress in the period with its strategic objectives as follows:

Technology Investment

Central to Cobham's strategy is the development of leading edge products and services in technically differentiated and attractive markets. These technologies straddle defence, security and commercial markets and include specialist defence and security communications and intelligence gathering, known as C4ISR, and SATCOM for commercial and defence and security applications.

Cobham's technology innovation and business development strategy has shown good progress by winning positions on important, long term programmes and platforms with new products which will generate sustained revenue over a number of years.

In the Group's commercial markets, significant progress has been made with the development of advanced products for use on key future growth platforms and programmes:

- Completion of the qualification testing of the Radio Audio Integration Management System (RAIMS) for the A350 aircraft. This product has also been selected for the A400M aircraft, demonstrating the application of Cobham's technology to commercial and military markets;
- Selection by Inmarsat to design and develop a range of stabilised SATCOM antennas for its marine Global Xpress programme, with an initial value estimated at US$40m.

In defence markets Cobham is continuing to develop products with important applications for key customers. Activity in the period included:

- Award of a contract from Lockheed Martin to develop a 54 channel mINCAN miniature interference cancellation system for the US Air Force;

- A contract from the US Navy to develop an advanced oxygen generating life support system for use by a broad range of fighter, patrol and military transport aircraft. The system will utilise Cobham's patented Ceramic Oxygen Generating System (COGS) technology.

In homeland security and surveillance markets the Group has also been developing a range of advanced products for important customer programmes. In particular:

- Selection to develop antennas for use in an emergency services communication system to be installed in the new World Trade Centre Museum and Memorial in New York, USA;

- The launch of a unique wireless internet protocol 'mesh' system providing mapping, video and voice on the move for law enforcement and security applications, after a period of PV investment. The system, which is easy to use, was successfully deployed during the visit of the Duke and Duchess of Cambridge to Los Angeles, USA in July 2011. It is capable of operating in high interference environments, transmitting quality video over an extended range and forms part of Cobham's 'SAFE CITY' solution.

In the core businesses, PV investment was £35m (2010: £36m), or 5.6% (2010: 5.2%) of revenue. Including customer funded R&D, technology investment, expressed as a percentage of revenue, remained in excess of 9%. Group PV investment was £38m (2010: £39m), equating to 5.0% (2010: 4.7%) of revenue.

Operational Excellence

Cobham announced its operational improvement and efficiency programme, Excellence in Delivery, in August 2010. The programme will bring a number of significant benefits including improved productivity, shortened manufacturing lead times, improved levels of quality and reduced working capital. It will also produce a simpler and more scalable business, a sharper focus on the customer and enhancements to internal communication and collaboration.

The programme is making good progress. Work to implement the standard operating framework is now underway in 10 of the 14 principal locations, which are expected to cover eighty percent of Group manufacturing profit by programme completion. The standard operating framework for production has been fully implemented in one site and is nearing completion in a further two sites. The standardised processes are already delivering tangible benefits where implemented, including significant improvements to on time delivery and reductions in defects and lead times.

Good progress is also being made on the planned integration programme for 2011, which is also part of Excellence in Delivery, and includes the closure and integration of three facilities into existing sites and the integration of a further six sites into two new sites. In addition to the announced closure of one site earlier in the year, four of the six sites have been successfully integrated into the two new facilities and work is underway to complete the other integration activities planned for 2011.

The Group is confident that it will deliver the expected £21m of annualised year over year efficiency savings in 2011 as it has already implemented the measures needed to deliver them and has achieved £15m (2010: nil) of efficiencies in the year-to-date. By the end of the year, the Group expects to have delivered £30m of efficiencies in total, of which £9m were delivered from Excellence in Delivery in the second half of 2010. It still expects to generate a run-rate of £65m per annum by the end of 2013, at a total cost of £131m. Excellence in Delivery costs were £19m (2010: nil) in the period.

Portfolio Optimisation

The Group's strategy is to build scale in its chosen markets through carefully chosen acquisitions which accelerate organic growth and reinforce the value added content of the Group's products, and through exiting subscale businesses.

Two previously announced acquisitions in the homeland security market were completed in January 2011. Telerob, a manufacturer of advanced bomb disposal robots, was purchased for €78m and Corp Ten International, a provider of software for tracking and surveillance purposes, for up to US$24m. The Group is looking to invest in further high quality assets with differentiated technology in its chosen markets, in accordance with its strict financial criteria and a disciplined approach to investment, which will enhance its potential and profile. The intention is to bolt-in acquisitions funded from free cash flow with larger transactions funded from the Group's debt capacity.

Cobham will also continue to rigorously examine the portfolio and will divest businesses or product lines where these no longer fit the Group's strategy. Accordingly, the Group announced in May its intention to divest two businesses, Analytic Solutions and Commercial Systems, which have sub-scale positions or which operate in non-core markets.

Analytic Solutions and Commercial Systems are reported separately as non-core businesses. With the planned divestment of Analytic Solutions, the retained US composites business has been combined with the Group's other composites activities within Aerospace and Security. The passive microwave business has also been transferred from the Defence Systems Division to enable it to benefit from technology overlap with the Antenna Systems business in the Aerospace and Security Division. Appendix I (page 17) restates the full year historical segmental results to reflect these changes.

After the divestments have been completed, the Group will be left with scale positions and technology differentiation in all seven of its remaining strategic business units. It intends to reinforce these positions by reinvesting the proceeds of the planned divestments as value adding opportunities arise.

FINANCIAL RESULTS

Orders

Orders received by the Group increased to £969m (2010: £937m) with organic order intake in the core businesses increasing 4%. The Group has received some important multi-year awards including US$73m for the US KC-46 tanker development, US$40m for Inmarsat's Global Xpress programme and £18m for Eurofighter Tranche 3A defensive aids.

Excluding orders received by the non-core businesses and Aviation Services, where order intake can be uneven due to its significant, long term programmes, the book to bill ratio was 1.09 times. At the end of the period, the Group's order book was £2.5bn (31 December 2010: £2.5bn), including £0.2bn (2010: £0.1bn) of orders relating to the non-core businesses.

Revenue

Group revenue decreased to £892m (2010: £963m) primarily due to US dollar translation exchange rates and a decline in organic growth. Changes to Group revenue in the period were as follows:

Analysis of Group Revenue

H1 2010	FX Translation	Acquisitions/Disposals	Organic Growth	H1 2011
£963m	-£24m	-£10m	-£37m	£892m

Average H1 2011 US$/£ exchange rate = $1.61/£1. Average H1 2010 US$/£ exchange rate = $1.53/£1.

Organic revenue in the core businesses was down 2.6% in the period. The non-core businesses declined 11%.

Defence and security revenue was down 8% organically in the core businesses, almost entirely affected by the US market. Commercial revenue increased 12% on the prior period, benefiting from increased flying activity for resource industry customers in Australia, sales to Airbus and Boeing and sales of SATCOM and other antennas to a range of aerospace customers. Commercial activities comprise in aggregate 29% of revenue in the core businesses.

Trading Profit

Group trading profit was £167m (2010: £167m), with trading profit in the core businesses increasing to £154m (2010: £149m). Trading profit in the non-core business was £13m (2010: £18m).

The Group's underlying trading margin increased to 18.7% (2010: 17.4%). The margin in the core businesses increased to 19.9% (2010: 18.1%), driven by incremental efficiency savings from the Excellence in Delivery programme. The underlying trading margin in the non-core businesses declined to 11.2% (2010: 12.8%), reflecting lower revenue and the absence of Excellence in Delivery activity in these businesses.

Underlying Net Finance Expense and Underlying Profit Before Tax

Underlying net finance expense was £18m (2010: £23m). The net interest expense on cash and debt holdings is primarily payable in US dollars and reduced to £18m (2010: £22m), benefiting from the movement in the US dollar translation exchange rate. As anticipated, there was no (2010: £1m) net finance charge from pension schemes.

Group underlying profit before tax increased by 3% to £149m (2010: £145m).

Taxation

On an underlying basis, the effective tax rate decreased to 25.5% (2010: 26.5%) in part due to the lower tax rate in the UK. The effective tax rate is calculated by dividing the Group's underlying tax charge of £37m (2010: £38m) by its underlying profit before tax, after excluding the £3m (2010: £2m) share of post-tax results of joint ventures.

Earnings per Share (EPS)

Underlying EPS increased 5% to 9.8p (2010: 9.3p), primarily due to the improvement in the underlying trading margin, a lower underlying rate of tax and lower net interest payable. The share buy-back programme, which commenced part way through the period, had only a modest impact on EPS. At constant translation exchange rates, underlying EPS increased 6%.

Basic EPS was higher than the comparable period at 7.0p (2010: 6.6p), primarily driven by the post-tax and non-cash unrealised gain of £1m (2010: unrealised loss £11m) on the revaluation of currency instruments and a post-tax gain on disposals of £4m (2010: nil), partly offset by a post-tax portfolio restructuring charge of £13m, which in 2011 related to Excellence in Delivery (2010: credit £1m).

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 schemes' assets and the present value of the future liabilities had reduced to £68m before deferred tax (31 December 2010: £82m).

Cash Flow and Net Debt

Operating cash flow, which is stated after capital expenditure but before interest and tax payments, was £159m (2010: £135m). Net capital expenditure was £24m (2010: £28m). Operating cash conversion was 97% (2010: 82%) 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 strong free cash flow of £129m (2010: £103m), from which it paid a final dividend of £50m (2010: £46m, with the final dividend paid in the second half).

In addition, the Group made the following other payments from free cash flow:

- £20m (2010: nil) relating to Excellence in Delivery;
- £64m (2010: £9m) net on acquisitions, disposals and other costs relating to business combinations as follows:
  - £65m of payments relating to the acquisition of Telerob;
  - £8m of payments relating to the acquisition of Corp Ten;
  - £4m of payments relating to deferred and contingent consideration for acquisitions and disposals completed in prior years and other business combination costs;
  - £13m proceeds from the divestment of the Engineering Consultancy Group.
- £8m loan advanced to a Group joint venture;
- Total share purchases of £66m (2010: £10m inflow), including £57m (2010: nil) relating to the share buy-back.

At the period end, after funding and exchange movements, net debt, comprising short term cash balances and fixed term borrowings, increased to £378m (31 December 2010: £326m). Included above were exchange movements of £27m which partly offset the increase in 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 the period end, the Group's gearing was 0.9 times net debt/EBITDA.

Share Buy-back

The Group's previously announced share buy-back programme of up to £150m commenced on 7 March. Good progress towards the target has been made during the period, with some 27m shares purchased and held in treasury, at a total cost of £61m.

At the period end, the Group had some 1,127m (30 June 2010: 1,154m, 31 December 2010: 1,155m) ordinary shares in issue, excluding the shares held in treasury. The weighted average number of shares in the period attributable to ordinary shareholders was 1,145m (30 June 2010: 1,150m, 31 December 2010: 1,151m) or 1,148m (30 June 2010: 1,158m, 31 December 2010: 1,157m) on a diluted basis.

Dividends

An interim dividend of 1.80p (2010: 1.628p), representing a 10.6% increase on the comparable period, has been approved by the Board.

The shares will be traded ex-dividend on 12 October 2011. The dividend will be paid on 11 November 2011 to shareholders on the register at 14 October 2011.

RECONCILIATION OF UNDERLYING PROFIT

	Half Year to 30 June 2010	**Half Year to 30 June 2011**	Year to 31 December 2010
Trading profit is calculated as follows:			
£m			
Result before joint ventures	117	**110**	224
Share of post-tax results of joint ventures	2	**3**	6
Operating profit	119	**113**	230
Adjusted to exclude:			
Business restructuring (primarily Excellence in Delivery)	(1)	**19**	18
Unrealised losses/(gains) on revaluation of currency instruments	15	**(1)**	3
Amortisation of intangible assets arising on acquisition	33	**34**	63
Settlement of commercial dispute	-	**-**	28
M&A deferred and contingent payments and expenses	1	**2**	6
Trading profit	167	**167**	348

	Half Year to 30 June 2010	**Half Year to 30 June 2011**	Year to 31 December 2010
Underlying profit before tax is calculated as follows:			
£m			
Profit on continuing operations before taxation	97	**99**	189
Adjusted to exclude:			
Business restructuring (primarily Excellence in Delivery)	(1)	**19**	18
Unrealised losses/(gains) on revaluation of currency instruments	15	**(1)**	3
Amortisation of intangible assets arising on acquisition	33	**34**	63
Settlement of commercial dispute	-	**-**	28
M&A deferred and contingent payments and expenses	1	**2**	6
Gain on disposals	-	**(5)**	(1)
Unwinding of acquisition related discounting	-	**1**	-
Underlying profit before taxation	145	**149**	306

	Half Year to 30 June 2010	**Half Year to 30 June 2011**	Year to 31 December 2010
Profit after tax used in the calculation of underlying EPS is calculated as follows:			
£m			
Profit after taxation attributable to equity shareholders	75	**80**	153
Adjusted to exclude (after tax):			
Business restructuring (primarily Excellence in Delivery)	(1)	**13**	10
Unrealised losses/(gains) on revaluation of currency instruments	11	**(1)**	2
Amortisation of intangible assets arising on acquisition	21	**22**	40
Settlement of commercial dispute	-	**-**	19
M&A deferred and contingent payments and expenses	1	**1**	4
Gain on disposals	-	**(4)**	(1)
Unwinding of acquisition related discounting	-	**1**	-
Underlying profit after taxation	107	**112**	227
Underlying earnings per ordinary share (pence)	9.3	**9.8**	19.7

DIVISIONAL REVIEW

The Group Operating Summary has been restated to disclose separately the non-core businesses and to reflect the transfer of the US composites and passive microwave activities from Defence Systems to Aerospace and Security. Appendix I (page 17) shows a restatement of the historical full year segment results to reflect these changes.

Group Operating Summary

	Revenue		Trading Profit	
	Half Year 2010	**Half Year 2011**	Half Year 2010	**Half Year 2011**
£m				
Cobham Aerospace and Security	356	**309**	80	**69**
Margin			*22.5%*	***22.2%***
Cobham Defence Systems	179	**150**	23	**27**
Margin			*12.5%*	***18.2%***
Cobham Mission Systems	158	**168**	26	**35**
Margin			*16.8%*	***20.9%***
Cobham Aviation Services	131	**150**	16	**22**
Margin			*12.0%*	***14.3%***
Head Office and Other	(4)	**(4)**	4	**1**
Core Businesses	820	**773**	149	**154**
Margin			*18.1%*	***19.9%***
Non-core Businesses	143	**119**	18	**13**
Margin			*12.8%*	***11.2%***
Cobham Group	963	**892**	167	**167**
Margin			*17.4%*	***18.7%***

Cobham Aerospace and Security

	Half Year 2010	Currency Translation & Acquisitions/Disposals	Organic	**Half Year 2011**
£m				
Revenue	356	(30)	(17)	**309**
Margin	22.5%	0.6%	(0.9)%	**22.2%**

Total revenue was down principally due to an adverse US dollar translation exchange rate, the net impact of acquisitions and disposals and an organic decline of 5%. The export oriented Antenna Systems business put in a strong performance but this was offset principally by a decline in the Tactical Communications and Surveillance business, where there was lower revenue from land based tactical communication products and reduced shipments of surveillance equipment, the latter being affected by the US Continuing Resolution.

COBHAM

The margin was slightly lower at 22.2% (2010: 22.5%) being impacted by lower sales in the land-based tactical communications business. This was partly offset by savings from the Excellence in Delivery programme and an initial gain from reduced costs following changes to the rate of certain UK pension increases.

Areas of growth included:

- Strong demand for Cobham's wireless video link products from special forces and growth in exports from surveillance products used for audio intercept activities;
- Increased shipments of the long range HGA-7001 SATCOM antenna, which is certified on the Airbus A320 family, A330, A340, A350 and Boeing 787, 747-8 and 777 aircraft. It has now also been selected for the Airbus A380 programme as a standard fit product and the first retrofit order for the Boeing 747 has been received, with the antenna now selected by a total of 24 airlines;
- Strong sales of the hand-held 'MINEHOUND' mine detector have continued in the US and the UK, for use in military and humanitarian applications. The product is now being used extensively, following its development with PV funding;
- Robust growth from repair and refurbishment work in the passive microwave business, including support to the US Federal Aviation Administration in the repair of rotary joint assemblies used in major airport radar installations. This work is expected to continue to 2015.

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

- An avionics upgrade for US State Department Sikorsky S61 helicopters, being aerospace communications including tactical radios, new generation audio and radio display units and the Group's advanced cockpit display, the Electronic Flight Instrumentation System (EFIS);
- Award of a contract for the complete suite of aerospace communications and avionics for the new SK105 Skylander commuter aircraft, due for first delivery in 2012;
- Completion of a major Test Readiness Review for the VIS-X next generation vehicle intercom system for the US Army, which can be used in both new production and as an upgrade for an installed base of more than 85,000 systems;
- Receipt of the first order for large mast technology for the US Army Win-T programme, linking tactical ground units with the US Department of Defense's worldwide information network;
- Work starting on a four year programme to provide 3,700 major radio frequency and microwave components for each Aegis surveillance and fire control radar system for the US Navy, with opportunities to ship export and land based variants. Including a new multi-million dollar award to supply shipboard cables, the programme is valued at US$50m;
- Ongoing technology integration of the RVision and Corp Ten acquisitions and a strategic and significant contract received to provide a software tracking service solution to an important Middle East customer.

Cobham Defence Systems

£m	Half Year 2010	Currency Translation	Organic	**Half Year 2011**
Revenue	179	(10)	(19)	**150**
Margin	12.5%	0.1%	5.6%	**18.2%**

Total revenue was down due to an adverse US dollar translation exchange rate and an organic decline of 11%. The business is almost totally focused on the US defence market with orders and revenue affected by the Continuing Resolution. In addition, there were further delays to the Wideband Global SATCOM programme, which is now expected to resume in early 2012, and reduced orders for COM-201 and COM-231 ground antennas, due to the US Army drawing on its product inventory.

Despite lower revenue, the margin increased to 18.2% (2010: 12.5%) due to Excellence in Delivery efficiency savings made in the second half of 2010. In addition, the Division benefited from favourable margins on completion of certain contracts.

Areas of growth included:

- Revenue from the WNaN programme, to develop a cost-effective military radio for use by ground personnel, with a further US Defense Advanced Research Projects Agency (DARPA) contract worth US$13 million received for the same programme and US$40m of options;
- Production of integrated microwave assemblies for use in the tube-launched, optically-tracked, wireless-guided (TOW) missile system, which is in service with more than 40 armed forces around the world for ground and air launched applications;
- Shipments of integrated microwave assemblies for the Apache helicopter and for the low rate initial production of the F-35 Joint Strike Fighter.

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

- Proposals were submitted for assemblies for a new electronic warfare (EW) jammer for the F-18 aircraft, with first orders expected in 2012. The total estimated value is US$100m, with the period of performance 2012 through 2017;
- Completion of the critical design review for the Shipboard Electronic Warfare Improvement Programme (SEWIP) Block II with the US Navy giving authorisation to build engineering development model hardware. SEWIP Block II is planned to replace the US Navy's primary electronic warfare system.

Cobham Mission Systems

	Half Year 2010	Currency Translation & Acquisition	Organic	**Half Year 2011**
£m				
Revenue	158	4	6	**168**
Margin	16.8%	(0.7)%	4.8%	**20.9%**

Total revenue was up due to organic growth of 4% driven by the Mission Equipment business, which benefited from increased shipments of air-to-air refuelling products, weapons carriage and release systems and aftermarket sales. Headline revenue also benefited from the January 2011 Telerob acquisition, which was partly offset by the adverse US dollar translation exchange rate.

The margin increased to 20.9% (2010: 16.8%) due to a higher margin sales mix. In addition, cost savings were generated by the move to a streamlined and modern Wimborne, UK facility.

Areas of growth included:

- Shipments of under wing air refuelling pods, including deliveries for the Australian and UAE air forces;
- Deliveries of On Board Oxygen Generation Systems (OBOGS) for US Navy F-18 and V-22 aircraft programmes, the US T-6A Joint Primary Aircraft Training System (JPATS) and F-15 and F-16 aircraft programmes outside the US, with a strong aftermarket contribution from a growing installed base;
- Very strong growth from the sale of aviation restraints across a range of rotary and fixed wing platforms including UH-60 Blackhawk, CH-47, F-16, F-18 and the T-38 Escape System Upgrade Programme;
- Strong demand for pneumatic actuation subsystems and components for Hellfire missiles and Paveway guided bomb units, with over 10,000 systems expected to be delivered in 2011.

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

- Award of two development subcontracts for US$73m by Boeing for the hose and drogue air refuelling system on the next generation US Air Force tanker, the KC-46, following announcement of the US air refuelling award in February;
- Further orders from Boeing to manufacture more than 400 units for the seventh production lot of the BRU-61/A weapons carriage and release system, capable of supporting the US Air Force's Small Diameter Bomb (SDB) programme. To date, Cobham has supplied more than 1,400 of these systems.

Cobham Aviation Services

	Half Year 2010	Currency Translation	Organic	**Half Year 2011**
£m				
Revenue	131	9	10	**150**
Margin	12.0%	(0.2)%	2.5%	**14.3%**

Total revenue was up due to organic growth of 8% and a favourable Australian dollar translation exchange rate. Organic growth was driven by the Australian operations.

The margin increased to 14.3% (2010: 12.0%) benefiting from higher revenue in both the resource industry and freight operations in Australia and an increased profit contribution from the UK joint venture.

Areas of growth included:

- Increased flying activity for resource industry customers in Australia, particularly in support of Chevron's Barrow Island Liquefied Natural Gas (LNG) plant development;
- Flying activity on the Sentinel maritime surveillance programme for the Australian government has remained high;
- The fourth dedicated freight aircraft introduced to Australia late last year, in support of the Australian Air Express customer, has continued to operate at higher than forecast levels;
- In the UK, the modification and systems integration of four Beechcraft King Air B350 aircraft was completed, with the aircraft entering service on schedule under the UK Military Flying Training Services (MFTS) Royal Navy rear crew training contract.

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

- Solid progress has been made on final certification of jet operations into gravel and unsealed runways in Australia. This will open up new opportunities for support to the resource industry;
- Preparations for the modification of the Airbus A330 for the Future Strategic Transport Aircraft (FSTA) programme in the UK are well underway, with UK Civil Aviation Authority approvals imminent. The first of 12 aircraft is due to be received by Cobham in August 2011;

Non-core Businesses

£m	Half Year 2010	Currency Translation	Organic	**Half Year 2011**
Revenue	143	(7)	(17)	**119**
Margin	12.8%	0.1%	(1.7)%	**11.2%**

The Group's non-core businesses comprise Analytic Solutions and Commercial Systems.

Total revenue was down as a result of an adverse US dollar translation exchange rate and an organic decline of 11%. In Analytic Solutions, revenue continued to be significantly impacted by temporary delays in the award of orders under the Missile Defense Agency Engineering and Support Services (MiDAESS) umbrella contract, although the rate of order release has now started to increase significantly, including the recently announced award to the business of nine task orders totalling US$227m over two years. Lower shipments of emergency locator beacons affected revenue in the Commercial Systems business ahead of a new product launch, which is expected in the second half.

OUTLOOK

Despite lower revenue reflecting challenging conditions in the US defence and security market, Cobham has delivered 6% underlying EPS growth at constant translation exchange rates, with savings from the Excellence in Delivery programme underpinning earnings progression.

The Group has seen strong growth in some commercial markets but defence and security has been particularly affected in the first half by the delayed approval of the US budget. The Group believes that the general situation in these markets will persist and continues to expect the Group's organic revenue growth in 2011 to be marginally negative. Driven by the Excellence in Delivery programme, the Board expects the Group to achieve some underlying progress in the year.

Despite the challenging backdrop for defence, the Group has leading positions in attractive commercial markets, technically differentiated products and services in the more attractive and resilient segments of defence and security, together with a strong and flexible balance sheet. The Group is investing in the future with the Excellence in Delivery programme which is rapidly generating efficiency savings and customer benefits and also reconfiguring itself to take advantage of the many opportunities in the years ahead. The Group also continues to rigorously examine its portfolio of companies and acquisition opportunities to further enhance its potential and profile. The Board is actively responding to market conditions and is confident that the Group will continue to make progress over the medium term.

APPENDIX I

CHANGES TO SEGMENTAL REPORTING

The table below sets out historical full year figures previously disclosed for 2009 and 2010, restating the disclosure of the non-core businesses and the transfer of the US composites and passive microwave businesses.

Revenue

£m	2009 Full Year	2010 Full Year	**2011 Half Year**
Cobham Aerospace and Security	705	682	**309**
Cobham Defence Systems	362	362	**150**
Cobham Mission Systems	290	321	**168**
Cobham Aviation Services	231	274	**150**
Head Office and Other	(12)	(9)	**(4)**
Core Businesses	1,576	1,630	**773**
Non-core Businesses	304	273	**119**
Cobham Group	1,880	1,903	**892**

Trading Profit

£m	2009 Full Year	2010 Full Year	**2011 Half Year**
Cobham Aerospace and Security	162	156	**69**
Margin	*23.0%*	*22.8%*	***22.2%***
Cobham Defence Systems	56	53	**27**
Margin	*15.5%*	*14.7%*	***18.2%***
Cobham Mission Systems	50	65	**35**
Margin	*17.3%*	*20.3%*	***20.9%***
Cobham Aviation Services	31	36	**22**
Margin	*13.6%*	*13.3%*	***14.3%***
Head Office and Other	1	2	**1**
Core Businesses	300	312	**154**
Margin	*19.0%*	*19.1%*	***19.9%***
Non-core Businesses	37	36	**13**
Margin	*12.2%*	*13.3%*	***11.2%***
Cobham Group	337	348	**167**
Margin	*17.9%*	*18.3%*	***18.7%***

- 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 (unaudited)
For the half year ended 30 June 2011

£m	Note	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Revenue	2	**891.9**	963.4	1,902.6
Cost of sales		**(615.3)**	(662.7)	(1,298.1)
Gross profit		**276.6**	300.7	604.5
Selling and distribution costs		**(39.5)**	(44.9)	(87.2)
Administrative expenses		**(127.2)**	(138.4)	(293.2)
Share of post-tax results of joint ventures		**3.5**	2.5	6.0
Operating profit		**113.4**	119.9	230.1
Finance income	3	**21.3**	18.9	37.8
Finance expense	3	**(40.1)**	(41.5)	(80.1)
Business disposal and other income	11	**4.8**	-	1.5
Profit before taxation		**99.4**	97.3	189.3
Taxation		**(19.7)**	(21.9)	(36.5)
Profit after taxation for the period		**79.7**	75.4	152.8
Profit attributable to equity shareholders		**79.6**	75.3	152.7
Profit attributable to non-controlling interests		**0.1**	0.1	0.1
Profit after taxation for the period		**79.7**	75.4	152.8

All activities of the group are classed as continuing in the current and comparative periods.

Earnings per Ordinary Share	6			
- Basic		**6.96p**	6.55p	13.27p
- Diluted		**6.93p**	6.50p	13.20p

Consolidated statement of comprehensive income (unaudited)
For the half year ended 30 June 2011

£m	Note	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Profit after taxation for the period		**79.7**	75.4	152.8
Net translation differences on investments in overseas subsidiaries		**10.3**	4.8	20.8
Actuarial gain/(loss) on pensions	4	**2.2**	(25.5)	15.6
Actuarial loss on other retirement obligations		**-**	-	(0.4)
Movements in hedging derivative financial instruments		**2.0**	(10.7)	(7.4)
Tax effects		**(1.1)**	10.1	(3.6)
Other comprehensive income/(expense) for the period		**13.4**	(21.3)	25.0
Total comprehensive income for the period		**93.1**	54.1	177.8
Attributable to:				
Equity holders of the parent		**93.0**	54.0	177.7
Non-controlling interests		**0.1**	0.1	0.1
		93.1	54.1	177.8

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

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Operating profit	**113.4**	119.9	230.1
Adjusted to exclude:			
Business restructuring	**19.2**	(1.1)	17.5
Unrealised (gains)/losses on revaluation of currency instruments	**(1.1)**	14.7	2.8
Amortisation of intangible assets arising on business combinations	**33.6**	32.7	63.3
Settlement of commercial dispute	**-**	-	28.8
Transaction related adjustments	**1.8**	1.0	5.9
Trading profit	**166.9**	167.2	348.4

Consolidated balance sheet (unaudited)
As at 30 June 2011

£m	Note	As at 30.6.11	As at 30.6.10	As at 31.12.10
Assets				
Non-current assets				
Intangible assets		**1,074.9**	1,085.0	1,048.4
Property, plant and equipment	8	**331.0**	327.0	339.7
Investment properties		**10.9**	11.6	11.2
Investments in joint ventures		**16.3**	16.8	17.2
Trade and other receivables		**13.5**	44.8	19.3
Derivative financial instruments		**1.2**	0.7	0.5
Deferred tax		**12.1**	27.7	11.4
		1,459.9	1,513.6	1,447.7
Current assets				
Inventories		**324.2**	265.1	287.4
Trade and other receivables		**331.0**	341.9	339.0
Current tax receivables		**13.8**	3.4	15.7
Derivative financial instruments		**5.4**	1.2	6.5
Cash and cash equivalents		**405.6**	458.4	473.0
		1,080.0	1,070.0	1,121.6
Assets classified as held for sale		**1.7**	-	1.6
		1,081.7	1,070.0	1,123.2
Liabilities				
Current liabilities				
Borrowings		**(313.0)**	(490.8)	(315.9)
Trade and other payables		**(361.5)**	(399.4)	(359.3)
Derivative financial instruments		**(17.4)**	(19.4)	(14.8)
Current tax liabilities		**(110.7)**	(83.5)	(100.0)
Provisions		**(31.0)**	(44.7)	(37.8)
		(833.6)	(1,037.8)	(827.8)
Non-current liabilities				
Borrowings		**(470.2)**	(340.9)	(483.2)
Trade and other payables		**(43.6)**	(18.7)	(32.2)
Derivative financial instruments		**(24.0)**	(35.9)	(27.2)
Deferred tax		**(36.2)**	(36.0)	(37.7)
Provisions		**(11.4)**	(5.2)	(4.6)
Retirement benefit obligations	4	**(68.2)**	(137.1)	(82.0)
		(653.6)	(573.8)	(666.9)
Net assets		**1,054.4**	972.0	1,076.2
Equity				
Share capital		**28.9**	28.8	28.9
Share premium account		**126.6**	125.5	126.6
Other reserves		**81.6**	54.4	69.8
Retained earnings		**816.8**	762.9	850.5
Total shareholders' equity		**1,053.9**	971.6	1,075.8
Non-controlling interest in equity		**0.5**	0.4	0.4
Total equity		**1,054.4**	972.0	1,076.2
Net debt		**(377.6)**	(373.3)	(326.1)

Consolidated statement of changes in equity (unaudited)

For the half year ended 30 June 2011

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' equity	Minority interest in equity	Total equity
Total equity at 1 January 2011	**28.9**	**126.6**	**69.8**	**850.5**	**1,075.8**	**0.4**	**1,076.2**
Profit for the period	-	-	-	79.6	79.6	0.1	79.7
Actuarial gain on pensions	-	-	-	2.2	2.2	-	2.2
Net translation differences on investments in overseas subsidiaries	-	-	10.3	-	10.3	-	10.3
Movements in hedging derivative financial instruments	-	-	(4.4)	-	(4.4)	-	(4.4)
Reclassification of cash flow hedge fair values	-	-	6.4	-	6.4	-	6.4
Tax effects	-	-	(0.5)	(0.6)	(1.1)	-	(1.1)
Total comprehensive income for the period	-	-	**11.8**	**81.2**	**93.0**	**0.1**	**93.1**
Purchase of treasury shares	-	-	-	(69.5)	(69.5)	-	(69.5)
Dividends authorised (note 5)	-	-	-	(49.8)	(49.8)	-	(49.8)
Share-based payments	-	-	2.9	-	2.9	-	2.9
Transfer of share options reserve on exercise	-	-	(4.4)	4.4	-	-	-
Release of hedge reserve	-	-	1.5	-	1.5	-	1.5
Total equity at 30 June 2011	**28.9**	**126.6**	**81.6**	**816.8**	**1,053.9**	**0.5**	**1,054.4**

£m	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 year	-	-	-	152.7	152.7	0.1	152.8
Actuarial loss on pensions	-	-	-	15.6	15.6	-	15.6
Actuarial loss on other retirement obligations	-	-	-	(0.4)	(0.4)	-	(0.4)
Net translation differences on investments in overseas subsidiaries	-	-	20.8	-	20.8	-	20.8
Movements in hedging derivative financial instruments	-	-	(21.9)	-	(21.9)	-	(21.9)
Reclassification of cash flow hedge fair values	-	-	14.5	-	14.5	-	14.5
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 5)	-	-	-	(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

£m	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 hedging derivative 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	-	-	4.0	-	4.0	-	4.0
Transfer of share options reserve on vesting of PSPs	-	2.7	(2.7)	-	-	-	-
Transfer 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

Consolidated statement of cash flows (unaudited)
For the half year ended 30 June 2011

£m	Note	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Cash flows from operating activities				
Cash generated from continuing operations	10	**182.3**	162.9	299.7
Other costs related to business combinations		**(1.2)**	-	(6.1)
Restructuring costs		**(20.1)**	(0.3)	(13.4)
Tax paid		**(17.4)**	(14.9)	(21.6)
Interest paid		**(21.7)**	(23.7)	(45.1)
Interest received		**4.8**	3.7	7.9
Net cash from operating activities		**126.7**	127.7	221.4
Cash flows from investing activities				
Dividends received from joint ventures		**4.5**	2.8	6.0
Purchase of property, plant and equipment		**(23.3)**	(27.2)	(64.9)
Purchase of intangible assets		**(0.9)**	(1.0)	(1.9)
Capitalised expenditure on intangible assets		**(0.2)**	(0.1)	(0.3)
Proceeds on disposal of property, plant and equipment		**0.8**	0.5	10.0
Provision of loan to joint venture		**(8.2)**	-	-
Acquisition of subsidiaries net of cash acquired		**(72.9)**	-	(18.9)
Proceeds of disposals including assets previously held for sale		**12.9**	-	29.6
Net deferred and contingent consideration		**(2.6)**	(9.4)	(2.6)
Special pension contributions relating to disposals in prior years		**-**	-	(7.9)
Net cash used in investing activities		**(89.9)**	(34.4)	(50.9)
Cash flows from financing activities				
Issue of share capital	6	**-**	10.5	11.7
Dividends paid	5	**(49.8)**	-	(64.6)
Purchase of treasury shares		**(65.7)**	(0.5)	(4.6)
New borrowings		**2.6**	104.0	98.3
Repayment of borrowings		**(11.3)**	(114.9)	(114.1)
Repayment of obligations under finance leases		**-**	-	(0.1)
Net cash used in financing activities		**(124.2)**	(0.9)	(73.4)
Net (decrease)/increase in cash and cash equivalents		**(87.4)**	92.4	97.1
Cash and cash equivalents at start of period		**470.7**	361.4	361.4
Exchange movements		**11.0**	(1.9)	12.2
Cash and cash equivalents at end of period		**394.3**	451.9	470.7

Cash and cash equivalents above are shown net of bank overdrafts of £11.3m (31.12.2010: £2.3m; 30.6.2010: £6.5m). These are classified as borrowings in the balance sheet.

Notes to the interim financial information

For the half year ended 30 June 2011

1. Basis of preparation

This unaudited consolidated interim financial information for the half year ended 30 June 2011 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 2010, 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 2010 and are expected to be applied for the year ended 31 December 2011. 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.

The 2010 Improvements to IFRSs included amendments to the disclosure requirements of IAS 34 which have been applied in the preparation of this interim financial report.

The following standards, amendments to standards and interpretations which have been endorsed by the EU have also been adopted with effect from 1 January 2011. No changes to previously published accounting policies or other adjustments were required on their adoption.

- Revised IAS 24 Related Party Disclosures.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters.
- Annual Improvements 2010.
- Amendment to IAS 32 Classification of rights issues

This interim financial report and the comparative figures for the year ended 31 December 2010 do not constitute statutory accounts within the meaning of section 434 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 3 August 2011. 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 includes 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 currency instruments not realised in the period, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature such as the settlement of a long-standing commercial dispute. 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 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.

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

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. Details of the composition and purpose of the Board can be found on pages 37 and 38 of the 2010 Annual Report and Accounts. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting structure has been updated for the revised Group structure applicable from January 2011 and forms the basis of the Group's segmental reporting. Comparatives have been re-presented to reflect the revised segmental structure and the segments are described further in note 2.

The Board assesses the performance of operating segments 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.

The Board does not review any information on segment assets and liabilities. Segment assets are disclosed in note 2 and are defined to include intangible assets, property, plant and equipment, investment properties, inventory and trade and other receivables. They do not include tax receivables, cash and bank balances and derivative financial assets.

2. Segment information

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. 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	**Half year to 30.6.11**	Half year to 30.6.10 (as restated)	Year to 31.12.10 (as restated)
Revenue			
Aerospace and Security	**309.3**	355.9	681.8
Defence Systems	**149.8**	179.3	361.7
Mission Systems	**167.7**	157.7	320.8
Aviation Services	**149.9**	131.3	273.5
Head office, other activities and elimination of inter-segment items	**(4.0)**	(3.6)	(7.8)
Core group revenue	**772.7**	820.6	1,630.0
Non-core businesses	**119.2**	142.8	272.6
Total revenue	**891.9**	963.4	1,902.6
Profit before taxation			
Aerospace and Security	**68.8**	80.2	155.7
Defence Systems	**27.3**	22.5	53.2
Mission Systems	**35.0**	26.5	65.1
Aviation Services	**21.4**	15.7	36.5
Head office, other activities and elimination of inter-segment items	**1.0**	4.0	1.6
Core group trading profit	**153.5**	148.9	312.1
Non-core businesses	**13.4**	18.3	36.3
Total trading profit	**166.9**	167.2	348.4
Business restructuring	**(19.2)**	1.1	(17.5)
Unrealised gain/(loss) on revaluation of currency instruments	**1.1**	(14.7)	(2.8)
Amortisation of intangible assets on acquisition	**(33.6)**	(32.7)	(63.3)
Settlement of commercial dispute	**-**	-	(28.8)
Transaction related adjustments	**(1.8)**	(1.0)	(5.9)
Net finance expense	**(18.8)**	(22.6)	(42.3)
Business disposal and other income	**4.8**	-	1.5
Profit before taxation	**99.4**	97.3	189.3

Total segment assets

Following the changes in composition of the Group's reporting segments, total segment assets as previously disclosed have been restated as follows:

£m	**Half year to 30.6.11**	Half year to 30.6.10 (as restated)	Year to 31.12.10 (as restated)
Aerospace and Security	**587.1**	588.7	589.0
Defence Systems	**518.7**	555.2	538.2
Mission Systems	**344.6**	271.1	277.8
Aviation Services	**239.7**	217.2	238.5
Other activities	**66.3**	83.9	55.5
	1,756.4	1,716.1	1,699.0
Non-core businesses	**330.8**	359.3	347.6
Total segment assets	**2,087.2**	2,075.4	2,046.6

3. Finance income and expense

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Finance income:			
Bank interest	**3.9**	2.8	5.4
Expected return on pension scheme assets	**16.5**	14.9	29.9
Other finance income	**0.9**	1.2	2.5
Total finance income	**21.3**	18.9	37.8
Finance expense:			
Interest on bank overdrafts and loans	**(20.4)**	(23.2)	(43.6)
Interest on pension scheme liabilities	**(16.1)**	(15.8)	(31.6)
Other finance expense	**(3.6)**	(2.5)	(4.9)
Total finance expense	**(40.1)**	(41.5)	(80.1)
Net finance expense excluding pension schemes	**(19.2)**	(21.7)	(40.6)
Net finance income/(expense) on pension schemes	**0.4**	(0.9)	(1.7)
Net finance expense	**(18.8)**	(22.6)	(42.3)

4. Retirement benefit obligations

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Net liability at start of period	**(82.0)**	(115.2)	(115.2)
Amount recognised in the income statement	**2.2**	(3.2)	(6.5)
Contributions paid by employer	**9.4**	7.1	24.1
Actuarial gains/(losses) recognised in consolidated statement of comprehensive income	**2.2**	(25.5)	15.6
Exchange differences	**-**	(0.3)	-
Net liability at end of period	**(68.2)**	(137.1)	(82.0)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2011 has decreased by £13.8m since 31 December 2010, excluding the deferred tax credit associated with such a shortfall.

For the half year to 30 June 2011 the amount recognised in the income statement includes a gain of £2.9m relating to past service and £1.4m of curtailment gains relating to the disposal of the Cobham Technical Services business. The actuarial gain consists of gains of £3.8m on pension obligations partly offset by a lower than expected return on investments of £1.6m.

5. Dividends

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

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Final dividend of 4.372p per share for 2010 (2009: 3.971p)	**49.8**	45.7	45.8
Interim dividend of 1.628p per share for 2010	**-**	-	18.8
	49.8	45.7	64.6

The final dividend for 2010 was approved at the AGM held on 6 May 2011 and paid to shareholders on 3 June 2011. The final dividend for 2009 was paid to shareholders on 5 July 2010.

In addition to the above, an interim dividend of 1.800 pence per share (2010: 1.628p per share) in respect of the financial year ended 31 December 2011 was approved by the Board on 28 July 2011 and has not been included as a liability in these financial statements. This will absorb an estimated £20.8m of shareholders' funds and will be paid on 11 November 2011 to shareholders who are on the register of members as at 14 October 2011.

6. Earnings per Ordinary Share (EPS)

		Half year to 30.6.11	Half year to 30.6.10	Year to 31.12.10
Basic EPS				
Earnings attributable to ordinary shareholders	£m	**79.6**	75.3	152.7
Weighted average number of shares	million	**1,144.5**	1,149.6	1,150.7
Basic EPS	pence	**6.96**	6.55	13.27
Diluted EPS				
Earnings attributable to ordinary shareholders	£m	**79.6**	75.3	152.7
Weighted average number of shares	million	**1,144.5**	1,149.6	1,150.7
Effect of dilutive securities:				
Options		**2.9**	5.3	3.9
Long term incentive plans		**0.8**	3.4	2.2
Diluted number of shares	million	**1,148.2**	1,158.3	1,156.8
Diluted EPS	pence	**6.93**	6.50	13.20

No new shares were issued during the period to 30 June 2011.

27,132,569 shares were acquired by the Company in the half year to 30 June 2011 under the share buy back plan announced on 3 March 2011 and these are held as treasury shares. The total cost of these shares (including commissions and taxes) is £60.6m and this has been deducted from retained earnings and total shareholders' equity.

Additional treasury shares have also been purchased by the Cobham Employee Benefit Trust in connection with a number of the Group's share incentive schemes, and shares have been transferred from the trust to employees upon vesting of BCP, PSP and ESOS awards during the period.

7. Underlying profit and earnings per share

£m		**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Operating profit		**113.4**	119.9	230.1
Business restructuring		**19.2**	(1.1)	17.5
Unrealised (gains)/losses on revaluation of currency instruments		**(1.1)**	14.7	2.8
Amortisation of intangible assets arising on business combinations		**33.6**	32.7	63.3
Settlement of commercial dispute		**-**	-	28.8
Transaction related adjustments		**1.8**	1.0	5.9
Trading profit		**166.9**	167.2	348.4
Net underlying finance expense		**(18.0)**	(22.6)	(42.3)
Underlying profit before taxation		**148.9**	144.6	306.1
Taxation charge on underlying profit		**(37.1)**	(37.7)	(79.5)
Non-controlling interests		**(0.1)**	(0.1)	(0.1)
Underlying profit after taxation attributable to equity shareholders		**111.7**	106.8	226.5
Weighted average number of shares	million	**1,144.5**	1,149.6	1,150.7
Underlying EPS	pence	**9.76**	9.29	19.68

Business restructuring costs primarily relate to the Excellence in Delivery programme announced in 2010.

Underlying administrative expenses, which exclude business restructuring, amortisation of intangible assets recognised on business combinations, the settlement of a commercial dispute and other transaction related adjustments, were as follows:

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Underlying administrative expenses	**73.7**	91.1	174.9
% of revenue	**8.3%**	9.5%	9.2%

8. Property, plant and equipment

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Carrying amount at start of period	**339.7**	318.2	318.2
Additions	**23.0**	27.3	64.9
Acquired with business combinations	**0.7**	-	0.3
Disposal of undertakings	**(0.2)**	-	(0.2)
Disposals	**(3.1)**	(0.6)	(7.2)
Depreciation	**(28.0)**	(25.6)	(54.4)
Reclassification	**(1.0)**	-	(4.4)
Foreign exchange adjustments	**(0.1)**	7.7	22.5
Carrying amount at end of period	**331.0**	327.0	339.7

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

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Commitments	**4.7**	13.1	5.4

9. Contingent and other liabilities

The Company and various of its subsidiaries are, from time to time, parties to various legal proceedings and claims and management do not anticipate that the outcome of these, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

The nature of much of the contracting work done by the Group means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business. As reported in the 2010 Annual Report and Accounts, the Group identified and continues to review the circumstances surrounding one, more significant, contractual breach dating back some years. The contract was in respect of goods provided into a geographic market which represents only a small amount of revenue for the Group. The outcome cannot be estimated at this stage and resolution may take some time. As it could be prejudicial, no further information is disclosed.

10. Notes to the consolidated statement of cash flows

Cash flows from operating activities

£m	Note	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
Profit after taxation for the period		**79.7**	75.4	152.8
Adjustments for:				
Tax charge		**19.7**	21.9	36.5
Share of post-tax profits of joint ventures		**(3.5)**	(2.5)	(6.0)
Net finance expense	3	**18.8**	22.6	42.3
Depreciation		**28.2**	25.8	54.7
Amortisation of intangible assets		**35.5**	35.4	68.3
Loss on sale of property, plant and equipment		**0.7**	-	2.3
Business disposal and other income		**(4.8)**	-	(1.5)
Business restructuring		**19.2**	(1.1)	17.5
Transaction related adjustments		**1.8**	1.0	5.9
Unrealised (gains)/losses on revaluation of currency instruments		**(1.1)**	14.7	2.8
Pension contributions in excess of service cost		**(9.8)**	(4.7)	(11.4)
Share-based payments		**2.8**	4.0	7.3
Decrease in provisions		**(0.6)**	(9.0)	(16.6)
Operating cash flows before movements in working capital		**186.6**	183.5	354.9
Increase in inventories		**(28.8)**	(7.7)	(18.6)
Decrease/(increase) in trade and other receivables		**19.4**	1.4	(1.0)
Increase/(decrease) in trade and other payables		**5.1**	(14.3)	(35.6)
Movements in working capital		**(4.3)**	(20.6)	(55.2)
Cash generated from operations		**182.3**	162.9	299.7

Reconciliation of net cash flow to movement in net debt

£m	**Half year to 30.6.11**	Half year to 30.6.10	Year to 31.12.10
(Decrease)/increase in cash and cash equivalents in the period	**(87.4)**	92.4	97.1
Net decrease in borrowings	**8.7**	10.9	15.9
Exchange movements	**27.2**	(64.0)	(26.5)
Movement in net debt in the period	**(51.5)**	39.3	86.5
Net debt at beginning of period	**(326.1)**	(412.6)	(412.6)
Net debt at end of period	**(377.6)**	(373.3)	(326.1)

11. Acquisitions and disposal

On 17 January 2011, agreement was reached to purchase the entire share capital of Telerob GmbH (Telerob) for €78.0m on a debt-free, cash-free basis. 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 announced on 7 February 2011. Consideration comprises US$11.5m 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 accounting for these business combinations is provisional and subject to potential adjustment.

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

£m	Telerob	Corp Ten	Total
Cash	63.9	8.4	72.3
Contingent consideration	-	6.1	6.1
	63.9	14.5	78.4

Contingent consideration has been provided at the maximum payable under the agreement and has been discounted.

Profit after tax since the date of acquisition	2.8	0.2	3.0

Profit after tax since the date of acquisition includes the impacts of amortisation of intangible assets and internal finance costs which are included within the results of the acquired business for management purposes.

If these acquisitions had taken effect on 1 January 2011, it is estimated that Group total revenues for the half year ended 30 June 2011 would have been £892.9m and profit after tax £80.7m. 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 provisional fair values of the net assets acquired are as follows:

£m	Telerob	Corp Ten	Total
Non-current assets	42.9	10.7	53.6
Current assets	11.3	2.4	13.7
Current liabilities	(8.1)	(0.5)	(8.6)
Non-current liabilities	(1.4)	(4.3)	(5.7)
Net assets acquired	44.7	8.3	53.0
Goodwill	19.2	6.2	25.4
Total consideration	63.9	14.5	78.4

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 £19.2m 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 acquisitions are as follows:

£m	Total
Cash consideration paid	71.7
Consideration paid relating to acquisitions completed in prior periods	3.8
	75.5

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 relating to this acquisition has therefore been adjusted accordingly.

Disposal
The divestment of the Engineering Consultancy Group, part of Cobham Technical Services (within Aerospace and Security) was announced on 21 February 2011. Consideration comprised £13.5m on a debt-free cash-free basis, realising a net profit on disposal of £4.8m.

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 and a loan provided to FB Heliservices Limited 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 and uncertainties

The Group's principal risks identified in the 2010 Annual Report on pages 26 and 27 remain valid and relate to: shortage of appropriate skills; fixed price contracts; change in the priorities in the US defence market; and failure to comply with laws, regulations and restrictions. The Group's risk management process is also detailed in the 2010 Annual Report.

Since the production of that report, the level of uncertainty and pressures within the defence and security markets are considered to be increasing the intensity and breadth of the market risk. All risks continue to be 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 pages 32 and 33 of the 2010 Annual Report and Accounts. As disclosed in those accounts Mr P Hooley retired from the Board on 6 May 2011. 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

3 August 2011

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 2011, 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 2011 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
3 August 2011

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.