INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014

7 August 2014

Underlying[1] results	**2014**	2013	Change	Constant FX Change
Order intake	**£728m**	£976m	-25%	-21%
Revenue	**£834m**	£864m	-3%	+3%
Trading Margin	**15.5%**	17.8%	-2.3ppts	
Profit before Tax	**£118m**	£137m	-14%	-10%
Earnings per share (EPS)	**8.7p**	10.3p	-16%	-12%
Operating cash conversion[2]	**64%**	84%	-20ppts	

Statutory results	**2014**	2013	Change	Constant FX Change
Revenue	**£834m**	£864m	-3%	+3%
Profit before Tax	**£54m**	£51m	+6%	+10%
EPS	**4.2p**	4.5p	-6%	-4%
Interim dividend per share	**2.904p**	2.64p	+10%	

First Half

- Prior year order intake in Aviation Services included large multi-year orders, not repeated
- Continued strong organic[3] revenue growth (8%) in commercial markets, offset by 10% decline in defence/security, yielding a total Group organic revenue decline of 4%
- Trading margin down 2.3ppts, with reduced revenue in higher margin, shorter cycle businesses and shift from mature production contracts to lower margin engineering development revenue
- Operating cash conversion of 64% (2013: 84%), with increased working capital from funded aerial refuelling programmes in development
- Strategic acquisition of Aeroflex announced. Good first half contributions from 2013 Axell Wireless and FB Heliservices acquisitions

Full Year

- Expectations unchanged, anticipate continued good commercial growth, increased shorter cycle revenue and achievement of significant aerial refuelling engineering milestones in the second half
- Trading margin improvement from a combination of higher volumes and improved mix in the second half with continued focus on enhancing operational performance
- Cash conversion to normalise, with unwind of working capital on achievement of engineering milestones
- Aeroflex acquisition on course to complete late in third quarter, further shifting portfolio to commercial markets

Bob Murphy, Cobham Chief Executive Officer, said:

"Three important messages come out of our first half results. First, we are reconfirming our guidance for the full year with a greater than usual weighting of earnings and operating cash generation to the second half, although with stronger foreign currency headwinds. Second, our strategy of bringing more balance to the group continues to make progress with the acquisition of Aeroflex, the next significant step in that process, expected to complete late in the third quarter. Third, we remain on track to generate mid-single digit organic revenue growth from 2015.

Our growing, commercially driven businesses are now the single biggest contributor to revenue, approaching 40% of the Group total. This has been achieved through focused organic investment and a rigorous and disciplined approach to acquisition investment. Aeroflex will provide additional commercial exposure and further underpins our ability to grow.

Overall, we continue to expect Group organic revenue to decline by low-to-mid single digits in 2014, and we will continue to take appropriate actions to substantially mitigate the impact of this reduction. The Board continues to anticipate that Cobham can deliver mid-single digit organic revenue growth from 2015. This is expected to be underpinned by continued strong growth in commercial markets, a moderating rate of decline in the US defence/security market and increasing revenue from non-US defence/security markets."

ENQUIRIES

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INTERIM RESULTS PRESENTATION INCLUDING LIVE WEBCAST AND DIAL-IN DETAILS

There will be an interim results presentation at 9.30am UK time on Thursday, 7 August 2014, with a live webcast available on the Cobham website (www.cobhaminvestors.com). The webcast will be made available on the website for subsequent viewing. There will also be a dial-in facility available which can be accessed in the UK and internationally on +44 (0)20 3003 2666, confirmation code Cobham and in the US/Canada on +1 646 843 4608 confirmation code Cobham.

A PDF copy of this interim announcement can be downloaded from www.cobhaminvestors.com/reports-and-presentations/2014.

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 business acquisition and divestment related activity and business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature.*

   Business acquisition and divestment related items excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, adjustments to businesses held for sale, the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and terminated divestments and adjustments to contingent consideration related to previously acquired businesses.

   Business restructuring comprises exceptional costs or profits associated with the Excellence in Delivery programme which are incremental to normal operations.

   Underlying earnings are defined as trading profit less net underlying finance costs, which excludes the unwinding of acquisition related discounting and other acquisition related items, and after deducting associated taxation and non-controlling interests.

   A reconciliation of operating profit and profit before taxation to the respective underlying numbers is shown on page 14.

2. *Operating cash flow is defined as net cash from operating activities before payment of tax, interest, restructuring costs and M&A related costs but 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 defined as net cash from operating activities plus dividends received from joint ventures, less cash flows related to the purchase or disposal of property, plant, equipment and intangible assets but excluding payments related to M&A related activities.*

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

3. *Organic revenue is defined as revenue stated at constant translation exchange rates, excluding the incremental effect of acquisitions and divestments.*

4. *Private Venture measures (PV or company funded R&D – Research and Development) exclude Aviation Services, where there is no R&D activity.*

OVERVIEW OF THE HALF YEAR

The Group's expectations for the full year remain unchanged, with a greater than usual weighting of earnings to the second half. In addition to continued progress in its commercial markets, Cobham is expected to benefit from the achievement of significant engineering milestones on its large aerial refuelling programmes in development and increased activity in some of its shorter cycle businesses in the second half. This is anticipated to be against a background of stronger foreign currency headwinds. The completion of the Aeroflex Holding Corp. (Aeroflex) acquisition is making good progress and is on-track for completion at the end of the third quarter of 2014.

At the period end, the Group's order book was £2.14bn (31 December 2013: £2.27bn). Group order intake in the period was lower at £728m (2013: £976m), largely due to the non-repeat of the large multi-year orders received by the Aviation Services business in the prior period.

Total Group revenue decreased 3% to £834m (2013: £864m), due to adverse foreign currency translation and an organic decline of 4%, offsetting the net positive contribution from acquisitions and divestments. The Group continued to deliver strong organic growth from its commercial businesses of 8%, which was driven in particular by good growth in Aviation Services, in Satellite Communication (SATCOM) and in-building wireless systems, supplied by Axell Wireless. This growth significantly offset the 10% organic decline in the defence/security portfolio, which was driven by reduced volumes in the Group's short cycle businesses, particularly relating to those with land exposure. In addition, there was lower revenue from aerial refuelling production and aftermarket, partially offset by customer funded engineering and development activity.

Cobham's trading margin was 15.5% (2013: 17.8%). The trading margin was lower due to the adverse impact of lower revenue from higher margin, shorter cycle businesses and a change in revenue mix, with an increasing proportion of engineering, development and low rate production revenue. This was partially offset by cost reduction activities, including from the Excellence in Delivery (EiD) programme. In addition, the 2013 acquisitions reduced the trading margin by 30 bps.

The Group has continued to drive cost reduction, consistent with the accelerated EiD programme previously announced. It has commenced a further five integrations or rationalisations during the period, bringing the cumulative total to some 32 sites since 2010. It still expects to achieve £24m of year-on-year efficiency savings during 2014, bringing total annualised benefits to £100m since the programme began in 2010.

In the period, total R&D investment including customer funded projects, increased 5% over the comparative period to £90m (2013: £86m). Within this, the Group's PV[4] investment was 6.6% (2013: 6.2%) of revenue or £42m (2013: £43m), with investment maintained following the significant increase in 2013. The increase in customer funded R&D investment was principally due to significantly higher engineering and development activity on major aerial refuelling tanker programmes, driven by the KC-46, KC-390 and A400M aircraft, which are all underpinned by long term production revenue.

Underlying EPS at 8.7p (2013: 10.3p) was 16% lower than the prior period. At constant translation exchange rates, EPS was 12% lower. Within this, the impact of the higher weighted average number of shares, due to the May 2014 equity placing, was to reduce EPS by 1% point.

Operating cash flow, which is stated after net capital expenditure but before net interest and tax payments, was £83m (2013: £127m). The operating cash conversion rate was 64% (2013: 84%), with significant increases in working capital from the Group's large, customer funded aerial refuelling tanker programmes in development. Excluding the impact of these, the Group's cash conversion was consistent with historical levels.

The Group has continued to make progress with its strategic objective of increasing its exposure to growing commercial segments, to bring more balance to its portfolio. It announced the proposed acquisition for cash of Aeroflex in May, for an enterprise value of approximately $1,460m. Around 70% of Aeroflex's revenue is focused on higher growth commercial segments, with exposure to wireless, space, medical, industrial and energy customers. The acquisition is expected to be significantly accretive to underlying earnings in 2015, with expected returns beating Cobham's cost of capital in the third full year of ownership.

MARKETS

Cobham operates in three broad market segments: commercial, which comprises aerospace, marine and land markets, US defence/security and non-US defence/security. The proportion of Group revenue attributable to each market segment is set out in the table below.

	H1 2014		H1 2013	
	Revenue	**Organic Growth**	Revenue	Organic Growth
Commercial	**38%**	**8%**	36%	8%
US defence/security	**34%**	**-10%**	38%	-7%
Non-US defence/security	**28%**	**-10%**	26%	-9%
Group	**100%**	**-4%**	100%	-3%

Commercial markets

The Group's differentiated technology and know-how has application in attractive commercial markets, where it has strong and growing positions. Cobham's primary commercial markets are in marine SATCOM and in aerospace markets, including large transport aircraft, regional and business jets, helicopters and smaller aircraft, as well as in specialist aviation services in Australia. It also has positions in commercial land markets globally, including for in-building wireless communication products.

Long term demand in many of Cobham's commercial markets is driven by the need for increased bandwidth for communications, allied to a desire for smaller and lighter products which drive greater fuel efficiency and operational savings. The Group also benefits from a need to communicate in locations which lack effective terrestrial communications and from increasingly stringent safety requirements, with Cobham's commercial aerospace revenue benefitting from growth in aircraft production volumes. In its Aviation Services business, there is increased outsourcing of flying operations by commercial carriers in Australia and a long term growth trend in demand for natural resources which supports the underlying growth of the Group's contracted fly-in, fly-out operations.

Further, its marine and land SATCOM revenue is expected to benefit from the new Inmarsat

Global Xpress (GX) satellite constellation, as customers upgrade due to its global coverage and high-performance download speeds. GX is expected to commence global commercial services by the end of the first half of 2015 and, encouragingly, achieved commercial service introduction with the first regional services from this programme commencing in Europe, the Middle East, Africa and Asia on 1 July 2014.

The Group's commercial revenue has benefitted during the period from revenue from in-stadium wireless communication products for the football World Cup in Brazil and additional activity in Australia, including a new short term contract to provide fly-in fly-out services to Chevron's Barrow Island gas operations.

US defence/security market

As expected, conditions in the US defence/security market have remained challenging in the first half of 2014. Pressure on Department of Defense (DoD) budgets has continued with an ongoing withdrawal of troops from overseas operations. In addition, Federal debt levels have continued to rise, sustaining the pressure on Government budgets. The Group expects that, consistent with previous down cycles, the DoD investment account expenditure, from where the Group derives the majority of its US defence/security revenue, is likely to continue to drift lower over the coming years before reaching a cyclical trough.

Given the elections to be held this year, US Government budgets are likely to be funded under a Continuing Resolution from October 2014 until January 2015, when the new Congress is seated. It remains unclear what impact this may have on investment outlays in the shorter term. The new Congress will also need to agree a plan which avoids fresh budgetary cuts in 2016, which are currently mandated via the mechanism of Sequestration.

Notwithstanding the risks that still remain, in particular with respect to land related revenue, the Group continues to believe that it possesses differentiated technology and know-how, which will remain highly relevant to its customers' needs in this market. These capabilities are expected to deliver future revenue growth for the Group, once the current down-cycle ends. In particular, the Group has significant existing positions on certain key programmes, which remain priority areas for investment. These include the KC-46 aerial refuelling tanker, the F-35 Joint Strike Fighter and a range of ballistic missile defence and next generation radar programmes. Following on from a significant win for the Group, there was increasing development activity in the period on critical technology for the important next generation Air and Missile Defence Radar (AMDR) programme, which will upgrade radar systems on US Navy destroyers.

Non-US defence/security markets

There has been a number of escalating regional conflicts in the period and heightened security tensions reported in various geographies across the globe, including in Eastern Europe, Africa, the Middle East and South East Asia. Despite this, and consistent with recent years, defence budgets in Europe have generally continued to be subdued, being constrained by fragile economic growth and high levels of government indebtedness. However, elsewhere in the world defence investment continues to increase, particularly among countries with growing economies, and the company remains well positioned to capitalise on a range of sizeable opportunities.

Having derived significant revenue benefit in the prior period from the UK Future Strategic Tanker Aircraft (FSTA) programme in particular, the Group expects to benefit from future growth in other non-US aerial refuelling programmes, including the Airbus A400M and the Embraer KC-390, which are expected to move into production towards the end of 2015, and from increased participation in the global outsourcing and training market for fixed and rotary wing aircraft, and in unmanned vehicles. Cobham also benefits from export contracts won by larger US and non-US defence suppliers, as it has components and sub-systems on a wide range of platforms and programmes that are sold into accessible, global export markets.

Demonstrating its attractive technology and know-how capabilities in these markets, the Group has made further progress in the period, including a new thirty month contract to supply air support to operational readiness training services to the Royal Saudi Air Force.

STRATEGY

The Group's strategy is to leverage its innovative technology, know-how and understanding of customer requirements to build and maintain leading positions in the second and third tiers of commercial aerospace, marine and land markets and the global defence/security market. It will deliver sustainable top and bottom line growth, relative to the markets in which it operates, while consistently generating good free cash flow. In this way it creates value for its shareholders.

Investment in Management Capabilities

A key strategic objective of the Group is to increase investment in the skills and capabilities of its employees, which will support delivery of future growth. In the period, there has been particular focus on enhancing programme and life cycle management (LCM) capabilities, which are key competencies that enable the Group to deliver its critical technology solutions on time and to budget. A streamlined structure and a clearly defined career development path have been created within the Group for programme and life cycle management, covering the range of development and production activities undertaken, with 120 people undertaking development activities in the period. Application of the Group's LCM governance process continues to be strengthened with some 260 people participating in a range of courses in 2014.

The Group has now implemented and is reporting under its previously announced, new operational structure, with four Sectors replacing its four Divisions. A five year history of Sector financial information is on the Cobham website at www.cobhaminvestors.com/reports-and-presentations/2014. Within this, the Exeter, New Hampshire business unit has been transferred from the Communications and Connectivity Sector to the Advanced Electronic Solutions Sector (previously Defence Systems, renamed in anticipation of the significant non-defence activities it will have following the Aeroflex acquisition) to consolidate the Group's classified US Government work. The smaller North American Tactical Communications and Surveillance business has been retained in Communications and Connectivity, to ensure focus on planning for the imminent integration of Aeroflex within the Group.

Technology Investment

One of the Group's strategic objectives is to ensure that the Group's significant investment in PV is focused on those markets where its leading-edge technologies provide the most attractive opportunities for growth.

In the period, total R&D investment, including customer funded projects, increased 5% over the comparative period to £90m (2013: £86m). Within this, the Group's PV investment was 6.6% (2013: 6.2%) of revenue or £42m (2013: £43m), with investment maintained following the significant increase in 2013.

The increase in customer funded R&D investment was principally due to significantly higher activity on major aerial refuelling tanker programmes, driven by the KC-46, KC-390 and A400M aircraft, which are all underpinned by long term production revenue. R&D investment on aerial refuelling is expected to increase further in the second half of 2014, before gradually decreasing through 2015, ahead of the launch of aircraft production towards the end of the year.

The Group's PV investment has continued to focus on technologies with good growth potential, particularly in the Group's commercial markets. Cobham is investing in the next generation of audio and radio management and tactical radio products for commercial and government customers, which is expected to support new platforms and demand for greater product performance and functionality. In SATCOM, investment continues in land and marine products to support the new Inmarsat GX constellation, together with next generation products to support safety communication services for commercial air transport.

Within the Advanced Electronic Solutions Sector there has also been increased company funded investment, with focus on developing next generation Active Electronically Scanned Array (AESA) radar component and subsystem technology which has multiple air, sea and ground applications. The Sector is also investing in in-flight entertainment (IFE) for commercial applications, sense and avoid technologies for unmanned aerial vehicles and data links for future missile guidance requirements.

Operational Excellence

As previously announced, the implementation phase for the production, supply chain and engineering standard operating frameworks element of its operational improvement programme, EiD, was completed in 2014. To sustain and enhance the significant improvements made to date in operational and customer metrics, this activity has moved into a continuous improvement phase.

The Group has continued to drive cost reduction, consistent with the accelerated EiD programme previously announced, commencing a further five integrations or rationalisations during the period, and bringing the cumulative total to some 32 sites since 2010. The Group is continuing to use the cost savings achieved from this activity, in part, to fund increased investment to support the drive for sustainable organic revenue growth.

Implementation of the Group's new Enterprise Resource Planning (ERP) system, a major contributor to sustaining the standard operating framework benefits, has continued with user acceptance testing completed and the first pilot deployment of the ERP system now underway.

The Group still expects to achieve £24m of year-on-year efficiency savings during 2014, bringing total annualised benefits to £100m since the programme began in 2010. Costs in the period were £13m, with full year costs of £33m now expected, with activity being further accelerated in the second half.

Capital Allocation and Mergers and Acquisitions

The Group has continued to prioritise investment in the business for organic growth, followed by the continuation of its progressive dividend. Its strategy is to use the significant cash it generates post-dividend, and its strong balance sheet, to acquire businesses that reinforce its differentiated technology and know-how and which enable it to leverage its capabilities into adjacent areas for new customers. Within this, it adopts a rigorous and disciplined approach to acquisition investment with a focus on increasing exposure to growing commercial segments, to bring more balance to its portfolio. The Group has demonstrated good progress against this strategic objective, with commercial markets now comprising the single biggest contributor to Group revenue.

Consistent with these objectives, the Group announced the proposed acquisition for cash of Aeroflex in May, for an enterprise value of approximately $1,460m. The consideration represents approximately 10.5x adjusted Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) market consensus estimates for the year ended 31 December 2014. This multiple is stated before expected run rate cost synergies from the combined business of approximately $85m per annum, for a total investment of approximately $215m. The acquisition is expected to be significantly accretive to underlying earnings in 2015 with expected returns beating Cobham's cost of capital in the third full year of ownership.

Aeroflex is a compelling fit with Cobham, having complementary capabilities and characteristics, long life cycle and technically demanding products, long standing customer relationships and sole source positions. Its organic revenue growth potential is consistent with Cobham's own growth targets, with strong trading margins and cash flow generation also comparable to Cobham. Aeroflex has invested in consistently high levels of PV, equivalent to almost 14 per cent of its revenue in its last reported full year's results, and has developed a strong innovation pipeline, including radiation hardened and high reliability microelectronics, mixed signal/integrated circuits and the industry standard TM500 wireless network test system.

Approximately 70% of Aeroflex's revenue is focused on higher growth commercial segments, with exposure to wireless, space, medical, industrial and energy customers. Cobham shareholders approved the Aeroflex acquisition at the General Meeting held for this purpose on 2 July. Good progress has continued to be made towards completion of the transaction, which is conditional on satisfying the requirements of customary regulatory approvals and on Aeroflex shareholder approval. The transaction remains on-track to complete late in the third quarter of 2014.

In May, the Group successfully carried out a placing of 60 million shares, raising £180m before costs, to part fund the acquisition. In addition, it has arranged a $1,300m senior unsecured bridge loan facility to provide the additional financing for the acquisition. Following completion of the Aeroflex acquisition, the enlarged Group's net debt/EBITDA ratio is expected to be approximately 2.5x. The Group intends to make integrating Aeroflex and generating cash priority areas of focus during the remainder of 2014 and in 2015.

The Group's 2013 acquisitions, Axell Wireless and FB Heliservices, have continued to perform well, trading ahead of expectations.

FINANCIAL RESULTS

Orders

At the period end, the Group's order book was £2.14bn (31 December 2013: £2.27bn). Group order intake in the period was £728m (2013: £976m).

Order intake was lower than the prior period being impacted by foreign exchange translation and the non-repeat of the large multi-year orders received by the Aviation Services business in the prior period. As previously reported, the comparative period order intake for Aviation Services included a AUS$150m four year order from Qantas, a five year £165m order from the UK Ministry of Defence and a five year order for AUS$85m from Ok Tedi Mining Limited.

There was increased overall book-to-bill order momentum in the first half, in comparison to the second half of 2013, in each Sector with shorter cycle businesses.

Summary of Underlying Results

A summary of the Group's underlying results is set out below and a reconciliation of underlying profit numbers to statutory profit numbers is set out on page 14:

	Half year 2014	Half year 2013
£m		
Revenue	**834**	864
Trading Profit	**130**	154
Margin	***15.5%***	*17.8%*
Underlying Net Finance Expense	**(12)**	(17)
Underlying Profit Before Tax	**118**	137
Underlying Tax	**(24)**	(27)
Underlying Tax Rate	***20.0%***	*20.0%*
Underlying Profit After Tax	**94**	110
Weighted average Number of Shares (millions)	***1,084***	*1,068*
Underlying EPS (pence)	**8.7**	10.3

Exchange Rates

The following are the average and closing rates for those currencies that have most impact on translation of the Group's income statement and balance sheet into pounds sterling.

	Half year 2014	Half year 2013
Income statement - average rate		
US$/£	**1.67**	1.55
AUS$/£	**1.83**	1.53
€/£	**1.22**	1.18
DKK/£	**9.09**	8.78
Balance sheet - closing rate*		
US$/£	**1.71**	1.66
AUS$/£	**1.81**	1.85
€/£	**1.25**	1.20
DKK/£	**9.31**	8.97

**Comparator for closing rate is 31 December 2013.*

Revenue

A summary of the changes to Group revenue is as follows:

Half Year 2013	**FX Translation**	**Net Acquisitions & Divestments**	**Organic Growth**	**Half Year 2014**
£864m	**-£57m**	**+£58m**	**-£31m**	**£834m**

Total Group revenue decreased 3% to £834m (2013: £864m), due to adverse foreign currency translation and an organic decline of 4%, offsetting the net positive contribution from acquisitions and divestments. These comprised the 2013 acquisitions of Axell Wireless and FBH, partially offset by the 2014 divestment of the Group's last non-core business.

The Group continued to deliver strong organic growth from its commercial markets of 8%, with particularly good growth in Aviation Services, SATCOM and in-building wireless systems. The commercial growth significantly offset the 10% organic decline in the defence/security portfolio, which was driven by reduced volumes in the Group's short cycle businesses, particularly relating to those with land exposure, including surveillance, tracking and locating products, counter-IED products and antennas. In addition, there was lower revenue from aerial refuelling production and aftermarket, partially offset by customer funded engineering and development activity.

Trading Profit

The Group achieved total trading profit in the first half of £130m (2013: £154m). This reduction related primarily to the adverse impact of lower revenue in the Group's shorter cycle defence/security businesses, particularly those exposed to land markets. There was also a change in revenue mix in the aerial refuelling business due to lower production and aftermarket revenue and, in the Advanced Electronic Solutions Sector, from increased lower margin revenue from engineering and development activity and low rate initial production. Trading profit was also driven lower due to adverse foreign currency translation, which more than offset the net positive contribution from acquisitions and divestments in the period.

The Group's trading margin was 15.5% (2013: 17.8%). The trading margin was primarily impacted by the volume related declines in the higher margin, shorter cycle businesses and by the change in revenue mix in aerial refuelling and in the Advanced Electronic Solutions Sector, where there was a shift from mature production contracts towards lower margin engineering and development and low rate initial production contracts. This was partially offset by cost reduction activities driven by the Excellence in Delivery programme. In addition, acquisitions reduced the trading margin by 30bps.

Group statutory operating profit was £69m (2013: £69m). In addition to the above, other factors impacted statutory operating profit, the most significant of which were an unrealised gain of £6m (2013: £16m unrealised loss) in non-hedge accounted derivative financial instruments and lower Excellence in Delivery costs of £13m (2013: £26m). These were partially offset by higher amortisation of intangible assets arising on business combinations of £49m (2013: £41m).

Underlying Net Finance Expense and Underlying Profit Before Tax

The Group's underlying net finance expense was £12m (2013: £17m). The underlying net interest expense on cash and debt holdings was lower at £10m (2013: £15m), in part due to favourable foreign currency translation, as much of the Group's debt is denominated in foreign currencies, primarily the US dollar. In addition, there was a change in the mix between fixed and floating debt compared to the prior year. As expected, there was a non-cash net finance charge from pension schemes of £2m (2013: £2m).

The Group's underlying profit before tax was £118m (2013: £137m).

Taxation

The Group's underlying tax rate was unchanged at 20.0% (2013: 20.0%), from an underlying tax charge of £24m (2013: £27m). The rate is calculated by taking the underlying tax charge and dividing it by the underlying profit before tax of £118m (2013: £134m), excluding its £nil (2013: £3m) share of post-tax results of joint ventures.

Earnings per Share (EPS)

Underlying EPS at 8.7p (2013: 10.3p) was 16% lower than the prior period. At constant translation exchange rates, EPS was 12% lower. Within this, the impact of the higher weighted average number of shares, due to the May 2014 equity placing, was to reduce EPS by 1% point.

Basic EPS was 4.2p (2013: 4.5p), principally due to the items set out in the paragraphs on trading profit and statutory profit above.

Retirement Obligations

The Group operates a number of defined benefit 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 future liabilities had increased since the year end to £95m before deferred tax (31 December 2013: £87m). The increase was primarily due to a decrease in corporate bond rates, resulting in a lower discount rate being applied to scheme liabilities.

Cash Flow and Net Debt

Operating cash flow, which is stated after net capital expenditure but before net interest and tax payments, was £83m (2013: £127m). The operating cash conversion rate (which is calculated by dividing operating cash flow by the Group's trading profit, excluding its share of post-tax profits of joint ventures) was 64% (2013: 84%).

The Group's cash conversion in the period was impacted adversely by a £49m (2013: £21m) net cash outflow from working capital due to an increase in inventory and debtors. This movement was driven in the main by customer funded aerial refuelling programmes in development. Excluding the impact of the aerial refuelling programmes, the Group's cash conversion was consistent with historical levels.

Capital expenditure was slightly higher than the prior period at £26m (2013: £23m).

Free cash flow was £39m (2013: £65m), which is stated after £13m (2013: £24m) of Excellence in Delivery restructuring payments, underlying net interest payments of £12m (2013: £14m) and tax payments of £19m (2013: £28m). Following the Group taking full control of the FBH joint venture in 2013, there were no dividends received from joint ventures (2013: £4m).

The table below sets out the Group's cash flows over the period:

Cash Flow £m	**Half Year 2014**	Half Year 2013
Trading profit (excluding joint ventures)	**130**	151
Depreciation, amortisation & other items	**37**	28
Pension contributions in excess of service & admin. costs	**(9)**	(8)
Increase in working capital	**(49)**	(21)
Net capital expenditure	**(26)**	(23)
Operating cash flow	**83**	127
Operating cash/trading profit (excl. joint ventures)	***64%***	*84%*
Underlying net interest paid	**(12)**	(14)
Taxation paid	**(19)**	(28)
Dividends received from joint ventures	**-**	4
Free cash flow before restructuring costs	**52**	89
Restructuring costs - EiD	**(13)**	(24)
Free cash flow	**39**	65
Dividends paid	**(76)**	(68)
Acquisition payments less divestment proceeds, other related costs and loans to joint ventures	**(23)**	(82)
Placing and net settlement of treasury shares	**184**	1
Exchange movements	**16**	(40)
Decrease/(Increase) in net debt	**140**	(124)

Out of free cash flow the Group paid a dividend of £76m (2013: £68m) and acquisition payments, principally contingent consideration relating to prior year acquisitions, of £23m (2013: £82m – principally the acquisition of Axell Wireless and an investment in the FSTA consortium).

In addition, the Group received £184m (2013: £1m), primarily from the placing of 60 million new Cobham shares, which was undertaken to partially fund the Aeroflex acquisition.

At the period end net debt, which comprises short term cash balances and fixed term borrowings, had decreased to £313m (31 December 2013: £453m).

Dividends

The Board has approved an interim dividend of 2.904p (2013: 2.64p), an increase of 10%. The shares will be traded ex-dividend on 9 October 2014 and the interim dividend will be paid on 7 November 2014 to shareholders on the register at 10 October 2014.

RECONCILIATION OF UNDERLYING MEASURES

£m	**Half Year 2014**	Half Year 2013
Trading Profit is calculated as follows:		
Result before joint ventures	**69**	66
Share of post-tax results of joint ventures and associates	**-**	3
Operating Profit	**69**	69
Adjusted to exclude:		
Business restructuring - Excellence in Delivery	**13**	26
Movements in non-hedge accounted derivative financial instruments	**(6)**	16
Amortisation of intangible assets arising on business combinations	**49**	41
Exceptional legal costs	**1**	-
Other business acquisition and divestment related items	**4**	2
Total operating reconciling items	**61**	85
Trading Profit	**130**	154

Underlying Profit Before Tax is calculated as follows:		
Profit before taxation	**54**	51
Total operating reconciling items as above	**61**	85
Non-underlying finance costs	**3**	1
Underlying Profit Before Taxation	**118**	137
Taxation charge on underlying profit	**(24)**	(27)
Underlying Profit After Taxation	**94**	110
Underlying EPS (pence)	**8.7**	10.3

SECTOR REVIEW

Group Operating Summary

£m	Revenue Half Year 2014	Revenue Half Year 2013	Trading Profit Half Year 2014	Trading Profit Half Year 2013
Cobham Communications and Connectivity	**316**	336	**51**	60
Margin			***16.3%***	*17.9%*
Cobham Mission Systems	**138**	168	**20**	32
Margin			***14.4%***	*19.1%*
Cobham Advanced Electronic Solutions	**172**	180	**26**	31
Margin			***14.8%***	*17.4%*
Cobham Aviation Services	**206**	171	**26**	22
Margin			***12.7%***	*13.0%*
Head Office and Eliminations	**(2)**	(2)	**7**	7
Core Businesses	**830**	853	**130**	152
Margin			***15.6%***	*17.8%*
Non-core Businesses	**4**	11	**-**	2
Margin				*17.4%*
Cobham Group	**834**	864	**130**	154
Margin			***15.5%***	*17.8%*

Cobham Communications and Connectivity

The Sector provides aircraft and in-building communication equipment, law enforcement and national security monitoring solutions, and satellite communication equipment for land, sea and air applications.

£m	**Half Year 2014**	Half Year 2013 Constant FX	Half Year 2013 Reported	**Organic Revenue (%)**
Revenue	**316**	322	336	**(7%)**
Margin	**16.3%**	18.0%	17.9%	

Total revenue fell £20m, with the full period impact from the May 2013 Axell Wireless acquisition, being offset by the adverse translation impact from foreign currencies, principally the US dollar, the Danish krone and the euro, and from an organic decline of 7%, driven by lower defence/security revenue.

Commercial revenue was higher overall, including strong growth from airborne SATCOM and distributed antenna systems. This revenue was driven in part by strong antenna sales into commercial aircraft markets and increasing aircraft production volumes, particularly the Airbus A350, which is scheduled to be certified this year, and the Group's Aviator 700D SATCOM system which is retrofitted on the Dassault Falcon fleet. Organic growth included an initial, part-period organic contribution from in-building wireless, which benefitted from significant deliveries for the football World Cup in Brazil. Revenue from marine also grew, driven by demand for SATCOM products on cruise liners. The Sector's commercial businesses, most notably SATCOM and in-building wireless systems, have seen strong order momentum into the second half of the year.

However, the lower defence/security revenue more than offset the commercial growth, with the Sector's shorter cycle defence/security businesses continuing to be impacted. Consistent with previous periods, defence/security land related revenue in the US, in particular, continued to see significant volume pressure, including surveillance and tracking and locating products as well as counter-improvised explosive device products and antennas for military man-packs. Encouragingly, however, there are signs of increasing bid activity in the US surveillance and tracking and locating market, with some significant awards expected in the second half.

The Sector's trading margin was 16.3% (2013: 17.9%), which was impacted by the lower revenue in US defence/security short cycle businesses. This was partially offset by significant cost saving activity in the Sector, including all five of the Group's integrations and rationalisations that commenced in the period.

While the Sector had lower revenue overall, there were some positive developments during the period, which are expected to benefit future revenue:

- Airbus A350 wide body flight trials are on schedule, with certification planned this year, supporting the expected increase in revenue from the delivery of Cobham's Radio & Audio Integrated Management System (RAIMS), which is line-fitted on this new aircraft;
- Shipments of marine SATCOM terminals are expected to benefit from the global entry into commercial service of the Inmarsat GX constellation, which is currently anticipated to be by the end of the first half of 2015. Inmarsat announced commencement of initial regional coverage at the end of the period, demonstrating progress made;
- The award of a contract from SAAB of Sweden for the supply of the first set of multi-band RT-5000 tactical radios for integration on the Piaggio 180 Avanti Search and Rescue and MAS340 Search and Rescue aircraft.

Cobham Mission Systems

The Sector provides nose-to-tail refuelling systems and wing-tip to wing-tip mission systems for fast jets, transport aircraft and rotorcraft, safety and survival systems for extreme environments, and remote controlled robots and fully equipped bomb disposal vehicles for homeland security and military applications.

£m	**Half Year 2014**	Half Year 2013 Constant FX	Half Year 2013 Reported	**Organic Revenue (%)**
Revenue	**138**	160	168	**(13%)**
Margin	**14.4%**	19.0%	19.1%	

Total revenue was £30m lower, or £22m lower at constant exchange rates, an organic decline of 13% on the prior period.

The organic decline was driven by lower production revenue for the KC-130 programme in the US and lower production and aftermarket activity for the UK FSTA programme. Increasing customer funded engineering and development revenue on next generation aerial refuelling programmes partially offset this decline. Milestone driven engineering and development revenue is expected to further increase in the second half of the current year on the Boeing KC-46, Airbus A400M and Embraer KC-390 tanker aircraft.

In addition, there was significantly lower revenue from land based thermal imaging and missile programmes in the US. Shorter cycle revenue from some programmes, for which customer orders have been received, has been delayed into the second half.

The Sector's trading margin was 14.4% (2013: 19.1%) driven by the unfavourable aerial refuelling revenue mix and lower shorter cycle volumes of safety and survivability products.

Notwithstanding the decline in revenue in the period, the Sector has good market positions and differentiated technology across its product portfolio, with some positive developments in the period:

- Following Singapore and Qatar announcing they had selected the Airbus A330 Multi Role Tanker Transport, additional aerial refuelling production orders are expected. The Brazilian Air Force also signed a contract for twenty-eight Embraer KC-390 aircraft and negotiations are continuing to secure further production orders for the KC-130 tanker in the US;
- Increasing aerial refuelling aftermarket business in the second half, driven by new tanker customers, with orders expected for initial spares requirements;
- New orders for weapons carriage and release products received in the first half for the Eurofighter aircraft and for programmes for the US and for Oman. A separate order is expected, for a major upgrade programme on Indian Air Force Jaguar aircraft;
- Launch orders were received for new micro-coolers and micro-controllers, which are the smallest, highest performing products used in thermal imaging cameras for commercial and military applications. These new products will deliver revenue growth in 2015, before achieving full rate production in 2017.

Cobham Advanced Electronic Solutions

The Sector provides critical technology for network centric operations, moving information around the digital battlefield with customised and off-the-shelf solutions for people and systems to communicate on land, sea and in the air.

£m	**Half Year 2014**	Half Year 2013 Constant FX	Half Year 2013 Reported	**Organic Revenue (%)**
Revenue	**172**	167	180	**3%**
Margin	**14.8%**	17.4%	17.4%	

Total revenue decreased by £8m due to an adverse translation impact from the US dollar in the period, despite the Sector generating organic growth of 3% in a challenging US market.

The Sector benefitted in the period from its technology positions on priority programmes, with good growth from components and subsystems on the Integrated Defensive Electronic Countermeasures (IDECM) programme, an upgrade programme in production providing enhanced self protection capability for the F-18 fighter aircraft against missile threats, and from increased shipments of rotary joints. In addition, there was good growth from the US Navy Aegis ballistic missile defence programme. However, there was also declining revenue from a number of the mature production programmes, including some key electronic warfare and land related programmes.

Encouragingly, the Sector also saw revenue growth from next generation programmes in development or in low rate initial production. This included the Surface Electronic Warfare Improvement Programme (SEWIP), on which Cobham supplies key technology, as it continued through development and low rate production. This is an evolutionary development of block upgrades to the system currently installed on US Navy aircraft carriers, cruisers, destroyers and other warships for missile defence and counter targeting. In addition, there was increasing customer funded development revenue from the recently awarded AMDR programme for the US Navy, on which Cobham supplies critical technology.

The Sector's trading margin at 14.8% (2013: 17.4%) remained relatively robust but was lower than the prior year, as expected, as a result of the revenue mix. The proportion of revenue derived from either lower margin programmes in development or low rate initial production increased in the period, with the prior period benefitting from more revenue from mature production programmes, with higher margins.

In addition, the Sector made further progress in the period in securing positions for its differentiated technology on attractive programmes, including:

- The US Navy is currently developing plans to conduct Initial Operational Test & Evaluation in mid-2015 on a SEWIP system for the Littoral Combat Ship (LCS), which was developed with Lockheed Martin using PV investment. Besides LCS, this system has potential application on US Coast Guard ships as well as a range of international platforms;
- Consistent with the Group's objective of leveraging its technology into commercially driven markets, a low profile Ku band radome has been developed for commercial aircraft SATCOM connectivity. This has been undertaken in partnership with Go-Go and ThinKom, with initial orders expected towards the end of 2014;
- A PV focus on developing narrow and wide band AESA technology for multi-platform solutions, with air, sea and ground applications.

Cobham Aviation Services

The Sector delivers aviation services for military and civil customers worldwide through military training, special mission flight operations, outsourced commercial aviation and aircraft engineering.

£m	**Half Year 2014**	Half Year 2013 Constant FX	Half Year 2013 Reported	**Organic Revenue (%)**
Revenue	**206**	150	171	**6%**
Margin including Joint Ventures	**12.7%**	13.4%	13.0%	
Margin excluding Joint Ventures	**12.7%**	11.2%	11.1%	

Total revenue increased £35m due to organic growth of 6% and the July 2013 FBH acquisition. This was partially offset by a significant adverse currency translation impact from the Australian dollar.

Organic growth was driven by the Australian commercial business, including increased revenue from Qantas, as the expanded contract awarded in 2013 became fully operational in the period. All five additional aircraft were delivered on time and under budget, following an extensive modification programme at Cobham's Adelaide maintenance facility. In addition, there was increasing flight frequency in the Australian natural resources market, including a short-term contract expansion with Chevron to operate a jet shuttle service between Karratha and Barrow Island. Partially offsetting this, there was lower organic defence/security revenue, primarily due to the prior period completion of FSTA conversion work in the UK.

The Sector's trading margin was 12.7% (2013: 13.0%), with the FBH acquisition being slightly dilutive to the margin in the current period.

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

- A new four year contract with Gold Fields Australia to provide fly-in, fly-out services to its Granny Smith and Darlot mining sites. The contract is for jet aircraft equipped with Cobham's unique gravel kit capability for unsealed runways;
- A new thirty month military operational readiness and training contract was secured with the Royal Saudi Air Force. This contract represents a significant development for Cobham in the important Middle East market;
- In addition, the Qatar Emiri Air Force has announced the award of a new contract for Cobham subsidiary FB Heliservices to provide maintenance support to its fleet of 18 AW139 helicopters.

Non-core Businesses

The group divested its last non-core business in April 2014. Prior to divestment, there was part period revenue of £4m (2013: £11m) and trading profit of £nil (2013: £2m).

OUTLOOK

The Group reconfirms its guidance for the full year, with a greater than usual weighting of earnings and operating cash generation to the second half, although with stronger foreign currency headwinds. The strategy of bringing more balance to the group continues to make progress with the acquisition of Aeroflex, the next significant step in that process, expected to complete late in the third quarter. The Group remains on track to generate mid-single digit organic revenue growth from 2015.

Cobham's growing, commercially driven businesses are now the single biggest contributor to revenue, approaching 40% of the Group total. This has been achieved through focused organic investment and a rigorous and disciplined approach to acquisition investment. Aeroflex will provide additional commercial exposure and further underpins Cobham's ability to grow.

Overall, Group organic revenue is expected to decline by low-to-mid single digits in 2014, and the Group will continue to take appropriate actions to substantially mitigate the impact of this reduction. The Board continues to anticipate that Cobham can deliver mid-single digit organic revenue growth from 2015. This is expected to be underpinned by continued strong growth in commercial markets, a moderating rate of decline in the US defence/security market and increasing revenue from non-US defence/security markets.

- 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 greater or less 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 commodity prices, inflation or 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 2014

£m	Note	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Revenue	3	**834.1**	863.9	1,789.7
Cost of sales		**(579.3)**	(592.6)	(1,220.9)
Gross profit		**254.8**	271.3	568.8
Selling and distribution costs		**(42.0)**	(42.5)	(84.7)
Administrative expenses		**(144.1)**	(163.0)	(328.4)
Share of post-tax results of joint ventures and associates		**-**	3.2	3.1
Operating profit		**68.7**	69.0	158.8
Finance income	4	**2.8**	2.7	5.3
Finance costs	4	**(17.3)**	(20.8)	(37.5)
Profit before taxation		**54.2**	50.9	126.6
Taxation		**(8.1)**	(2.4)	(12.1)
Profit after taxation for the period		**46.1**	48.5	114.5
Attributable to:				
Owners of the parent		**46.0**	48.4	114.3
Non-controlling interests		**0.1**	0.1	0.2
		46.1	48.5	114.5
Earnings per Ordinary Share	6			
Basic		**4.25p**	4.53p	10.70p
Diluted		**4.22p**	4.51p	10.65p

Trading profit is calculated as follows (see note 2):

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Operating profit	**68.7**	69.0	158.8
Adjusted to exclude:			
Business restructuring - Excellence in Delivery	**13.1**	25.8	56.1
Movements in non-hedge accounted derivative financial instruments	**(5.7)**	16.1	(2.2)
Amortisation of intangible assets arising on business combinations	**48.6**	40.8	103.9
Impairment of goodwill	**-**	-	63.0
Revaluation gain arising on equity interests in FBH	**-**	-	(62.1)
Exceptional legal costs	**0.8**	-	-
Other business acquisition and divestment related items	**4.2**	2.3	0.1
Trading profit	**129.7**	154.0	317.6
Underlying EPS	**8.67p**	10.31p	21.60p

The definitions of trading profit and underlying EPS are shown in note 1.

Consolidated Statement of Comprehensive Income (unaudited)

For the half year ended 30 June 2014

£m	Note	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Profit after taxation for the period		**46.1**	48.5	114.5
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss)/gain on pensions	9	**(14.9)**	18.6	(25.6)
Tax effects		**3.0**	(4.2)	4.1
		(11.9)	14.4	(21.5)
Items that may subsequently be reclassified to profit or loss				
Net translation differences on investments in overseas subsidiaries		**(17.6)**	24.4	(11.1)
Reclassification of cash flow hedge fair values		**0.7**	3.5	4.5
Movements in hedge accounted derivative financial instruments		**(0.9)**	0.2	0.6
Tax effects		**-**	(0.8)	(1.2)
		(17.8)	27.3	(7.2)
Other comprehensive (expense)/income for the period		**(29.7)**	41.7	(28.7)
Total comprehensive income for the period		**16.4**	90.2	85.8
Attributable to:				
Owners of the parent		**16.3**	90.1	85.6
Non-controlling interests		**0.1**	0.1	0.2
		16.4	90.2	85.8

Consolidated Balance Sheet (unaudited)

As at 30 June 2014

£m	Note	As at 30.6.14	As at 30.6.13	As at 31.12.13
Assets				
Non-current assets				
Intangible assets		**1,096.1**	1,198.9	1,162.2
Property, plant and equipment	7	**336.0**	296.1	350.8
Investment properties		**9.6**	10.9	9.9
Investments in joint ventures and associates		**3.1**	15.5	3.1
Trade and other receivables		**21.8**	61.8	22.2
Other financial assets		**6.3**	6.1	6.1
Deferred tax		**12.5**	9.0	9.9
Derivative financial instruments		**8.0**	0.8	5.1
		1,493.4	1,599.1	1,569.3
Current assets				
Inventories		**336.5**	338.1	315.9
Trade and other receivables		**329.9**	294.7	317.7
Current tax receivables		**0.2**	5.2	0.8
Derivative financial instruments		**10.0**	1.6	6.6
Cash and cash equivalents		**282.5**	208.4	200.7
Assets classified as held for sale		**1.9**	14.5	8.2
		961.0	862.5	849.9
Liabilities				
Current liabilities				
Borrowings		**(296.0)**	(404.0)	(344.5)
Trade and other payables		**(354.4)**	(372.3)	(370.3)
Provisions		**(33.9)**	(35.2)	(34.4)
Current tax liabilities		**(108.2)**	(99.8)	(112.2)
Derivative financial instruments		**(4.8)**	(11.1)	(4.6)
Liabilities classified as held for sale		**-**	(3.1)	(5.2)
		(797.3)	(925.5)	(871.2)
Non-current liabilities				
Borrowings		**(299.8)**	(288.7)	(309.6)
Trade and other payables		**(34.5)**	(39.5)	(38.0)
Provisions		**(7.7)**	(10.9)	(8.6)
Deferred tax		**(41.9)**	(55.9)	(52.9)
Derivative financial instruments		**(6.3)**	(13.9)	(7.4)
Retirement benefit obligations	9	**(95.1)**	(48.7)	(87.3)
		(485.3)	(457.6)	(503.8)
Net assets		**1,171.8**	1,078.5	1,044.2
Equity				
Share capital		**30.4**	28.9	28.9
Share premium account		**301.9**	126.6	126.6
Other reserves		**38.0**	89.1	55.2
Retained earnings		**800.6**	833.2	832.7
Total equity attributable to the owners of the parent		**1,170.9**	1,077.8	1,043.4
Non-controlling interests in equity		**0.9**	0.7	0.8
Total equity		**1,171.8**	1,078.5	1,044.2
Net debt		**(313.3)**	(484.3)	(453.4)

Consolidated Statement of Changes in Equity (unaudited)

For the half year ended 30 June 2014

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests in equity	Total equity
Total equity at 1 January 2014	**28.9**	**126.6**	**55.2**	**832.7**	**1,043.4**	**0.8**	**1,044.2**
Profit for the period	**-**	**-**	**-**	**46.0**	**46.0**	**0.1**	**46.1**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**(11.9)**	**(11.9)**	**-**	**(11.9)**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**(17.8)**	**-**	**(17.8)**	**-**	**(17.8)**
Total comprehensive income for the period	**-**	**-**	**(17.8)**	**34.1**	**16.3**	**0.1**	**16.4**
Issue of shares, net of costs	**1.5**	**175.3**	**-**	**-**	**176.8**	**-**	**176.8**
Net settlement of treasury shares	**-**	**-**	**-**	**6.9**	**6.9**	**-**	**6.9**
Dividends (note 5)	**-**	**-**	**-**	**(75.5)**	**(75.5)**	**-**	**(75.5)**
Share based payments	**-**	**-**	**2.1**	**-**	**2.1**	**-**	**2.1**
Transfers of other reserves to retained earnings	**-**	**-**	**(2.4)**	**2.4**	**-**	**-**	**-**
Tax effects	**-**	**-**	**0.9**	**-**	**0.9**	**-**	**0.9**
Total equity at 30 June 2014	**30.4**	**301.9**	**38.0**	**800.6**	**1,170.9**	**0.9**	**1,171.8**

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests in equity	Total equity
Total equity at 1 January 2013	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4
Profit for the year	-	-	-	114.3	114.3	0.2	114.5
Items that will not be reclassified subsequently to profit or loss	-	-	-	(21.5)	(21.5)	-	(21.5)
Items that may subsequently be reclassified to profit or loss	-	-	(7.2)	-	(7.2)	-	(7.2)
Total comprehensive income for the year	-	-	(7.2)	92.8	85.6	0.2	85.8
Net purchase of treasury shares	-	-	-	(1.8)	(1.8)	-	(1.8)
Dividends (note 5)	-	-	-	(96.6)	(96.6)	-	(96.6)
Share based payments	-	-	(1.7)	-	(1.7)	-	(1.7)
Release of hedge reserve	-	-	1.5	-	1.5	-	1.5
Transfers of other reserves to retained earnings	-	-	(4.2)	4.2	-	-	-
Tax effects	-	-	2.6	-	2.6	-	2.6
Total equity at 31 December 2013	28.9	126.6	55.2	832.7	1,043.4	0.8	1,044.2

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests in equity	Total equity
Total equity at 1 January 2013	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4
Profit for the period	-	-	-	48.4	48.4	0.1	48.5
Items that will not be reclassified subsequently to profit or loss	-	-	-	14.4	14.4	-	14.4
Items that may subsequently be reclassified to profit or loss	-	-	27.3	-	27.3	-	27.3
Total comprehensive income for the period	-	-	27.3	62.8	90.1	0.1	90.2
Net settlement of treasury shares	-	-	-	1.2	1.2	-	1.2
Dividends (note 5)	-	-	-	(68.5)	(68.5)	-	(68.5)
Share based payments	-	-	(2.0)	-	(2.0)	-	(2.0)
Release of hedge reserve	-	-	1.2	-	1.2	-	1.2
Transfers of other reserves to retained earnings	-	-	(3.6)	3.6	-	-	-
Tax effects	-	-	2.0	-	2.0	-	2.0
Total equity at 30 June 2013	28.9	126.6	89.1	833.2	1,077.8	0.7	1,078.5

Consolidated Cash Flow Statement

For the half year ended 30 June 2014

£m	Note	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Operating profit		**68.7**	69.0	158.8
Non-cash items:				
Share of post-tax profits of joint ventures and associates		**-**	(3.2)	(3.1)
Revaluation gain arising on equity interests		**-**	-	(62.1)
Depreciation and amortisation including impairment		**85.1**	71.6	235.1
Loss/(profit) on sale of property, plant and equipment		**0.2**	(0.7)	(1.1)
Business acquisition and divestment related items		**(0.5)**	1.3	(1.6)
Movements in non-hedge accounted derivative financial instruments		**(5.7)**	16.1	(2.2)
Pension contributions in excess of service cost and administration cost		**(8.9)**	(7.7)	(14.5)
Share based payments		**2.1**	(2.0)	(1.7)
Operating cash movements:				
Increase in inventories		**(28.0)**	(9.3)	(0.3)
(Increase)/decrease in trade and other receivables		**(18.9)**	3.0	(26.2)
Decrease in trade and other payables		**(2.3)**	(12.2)	(0.3)
Increase/(decrease) in provisions		**0.4**	(0.8)	(3.9)
Tax paid		**(18.8)**	(27.9)	(37.6)
Interest paid		**(15.5)**	(17.1)	(33.7)
Interest received		**2.3**	2.8	5.0
Net cash from operating activities		**60.2**	82.9	210.6
Cash flows from investing activities				
Dividends received from joint ventures		**-**	3.7	3.7
Purchase of property, plant and equipment		**(22.9)**	(25.7)	(58.0)
Purchase of intangible assets		**(3.1)**	(3.2)	(11.7)
Proceeds on disposal of property, plant and equipment		**0.3**	6.3	8.0
Investment in other financial assets		**(0.2)**	(6.1)	(6.1)
Loans to joint ventures net of repayments		**-**	2.1	2.1
Issue of loan notes		**(9.0)**	(18.3)	(18.3)
Acquisition of subsidiaries net of cash or debt acquired		**0.3**	(60.1)	(126.0)
Contingent consideration paid		**(15.9)**	-	(2.5)
Proceeds of business divestments		**6.2**	1.5	0.5
Net cash used in investing activities		**(44.3)**	(99.8)	(208.3)
Cash flows from financing activities				
Dividends paid	5	**(75.5)**	(68.5)	(96.6)
Issue of share capital	6	**176.8**	-	-
Purchase of treasury shares		**(0.8)**	(10.1)	(15.3)
Proceeds on allocation of treasury shares		**7.7**	11.3	13.5
New borrowings		**21.9**	26.6	67.0
Repayment of borrowings		**(62.5)**	(3.5)	(7.7)
Net cash from/(used in) financing activities		**67.6**	(44.2)	(39.1)
Net increase/(decrease) in cash and cash equivalents		**83.5**	(61.1)	(36.8)
Exchange movements		**(3.4)**	(4.7)	(14.4)
Cash and cash equivalents at start of period		**199.0**	250.2	250.2
Cash and cash equivalents at end of period		**279.1**	184.4	199.0

A reconciliation of cash and cash equivalents to the Consolidated Balance Sheet and movement in net debt is detailed in note 8.

Notes to the Interim Financial Report

For the half year ended 30 June 2014

1. Basis of preparation

This unaudited condensed interim financial information for the half year ended 30 June 2014 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 Cash Flow Statement 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 2013, 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.

This interim financial report and the comparative figures for the year ended 31 December 2013 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 6 August 2014. 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.

Accounting policies

The accounting policies applied are consistent with those published in the financial statements for the year ended 31 December 2013 and are expected to be applied for the year ended 31 December 2014. From 1 January 2014 a number of amendments to existing standards and one IFRIC interpretation, which were effective from 1 January 2014 and have been endorsed by the EU, have been adopted; however no changes to previously published accounting policies or other adjustments were required on their adoption. In the interim periods, taxes on income are accrued using the tax rate that is expected to be applicable to the total earnings for the period.

Definitions

Underlying measures

To assist with the understanding of earnings trends, the Group has included within its published financial statements non-GAAP measures including trading profit and underlying earnings results. These are considered by the Board to be the most meaningful measures under which to assess the true operating performance of the Group.

All underlying measures include the operational results of all operations including those available for sale until the point of sale.

Trading profit

This has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity and business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, impairments of intangible assets, and items deemed by the Directors to be of an exceptional nature.

Business acquisition and divestment related items excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, the revaluation gain arising on the original equity interests in FBH, adjustments to businesses held for sale, the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and terminated divestments and adjustments to contingent consideration related to previously acquired businesses.

Business restructuring costs relate to the restructuring of the Group's portfolio which are incremental to normal operations. These relate to the consolidation of operating locations, consequential asset write downs and workforce reduction costs arising from additional streamlining, under the two year extension of the EiD programme to the end of 2015 and, for 2013, the ongoing design and implementation of Standard Operating Frameworks within the principal locations and the initial development costs of a new ERP computer system.

Underlying earnings

Underlying earnings are defined as trading profit less net underlying finance costs, which excludes the unwinding of acquisition related discounting and other acquisition related items, and after deducting associated taxation and non-controlling interests.

Net debt

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

Free cash flow

Free cash flow is defined as net cash from operating activities plus dividends received from joint ventures, less cash flows related to the purchase or disposal of property, plant, equipment and intangible assets but excluding payments relating to M&A related activities.

Operating segments

The chief operating decision making body for the Group has been identified as the Board. It reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting structure forms the basis of the Group's segmental reporting and the segments are disclosed in note 3. All operating segments meet the definition of reportable segments. Details of the composition and purpose of the Board can be found on pages 36 and 37 of the 2013 Annual Report and Accounts.

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

2. Underlying measures

£m	Half year to 30.6.14	Half year to 30.6.13	Year to 31.12.13
Operating profit	**68.7**	69.0	158.8
Business restructuring - Excellence in Delivery	**13.1**	25.8	56.1
Movements in non-hedge accounted derivative financial instruments	**(5.7)**	16.1	(2.2)
Amortisation of intangible assets arising on business combinations	**48.6**	40.8	103.9
Impairment of goodwill	**-**	-	63.0
Revaluation gain arising on equity interests in FBH	**-**	-	(62.1)
Exceptional legal costs	**0.8**	-	-
Other business acquisition and divestment related items:			
Net loss/(profit) on divestment of businesses and related held for sale adjustments	**0.6**	(1.2)	6.2
Release of contingent consideration	**(0.5)**	-	(11.9)
Other M&A related costs	**4.1**	3.5	5.8
Trading profit	**129.7**	154.0	317.6
Underlying net finance costs	**(12.1)**	(17.1)	(29.6)
Underlying profit before taxation	**117.6**	136.9	288.0
Taxation charge on underlying profit	**(23.5)**	(26.7)	(57.0)
Non-controlling interests	**(0.1)**	(0.1)	(0.2)
Underlying profit after taxation attributable to owners of the parent	**94.0**	110.1	230.8
Underlying basic EPS	**8.67p**	10.31p	21.60p
Underlying diluted EPS	**8.63p**	10.27p	21.51p

Underlying administrative expenses, which exclude the reconciling items in the table above amounted to:

£m	Half year to 30.6.14	Half year to 30.6.13	Year to 31.12.13
Underlying administrative expenses	**83.1**	78.0	169.6
% of revenue	**10.0%**	9.0%	9.5%

Net cash from operating activities is reconciled to free cash flow as follows:

£m	Half year to 30.6.14	Half year to 30.6.13	Year to 31.12.13
Net cash from operating activities per Cash Flow Statement	**60.2**	82.9	210.6
Dividends received from joint ventures	**-**	3.7	3.7
Purchase of property, plant and equipment	**(22.9)**	(25.7)	(58.0)
Purchase of intangible assets	**(3.1)**	(3.2)	(11.0)
Proceeds on disposal of property, plant and equipment	**0.3**	6.3	8.0
M&A related costs paid	**4.6**	0.7	1.7
Free cash flow	**39.1**	64.7	155.0
Free cash flow before Excellence in Delivery restructuring costs	**52.5**	88.5	205.9

3. Segment information

The Group reports four segments whose revenue and results are reported to the Board. The comparative segmental analysis of revenue and trading profit shown below has been re-presented on a basis consistent with the sectors as defined at 30 June 2014, which includes the transfer of the Exeter, New Hampshire business unit from the Communications and Connectivity sector to the Advanced Electronic Solutions sector. The remaining non-core businesses were divested during the period.

£m	**Half year to 30.6.14**	Half year to 30.6.13 (as restated)	Year to 31.12.13 (as restated)
Revenue			
Communications and Connectivity (formerly Aerospace and Security)	**316.1**	335.4	678.1
Mission Systems	**138.4**	168.4	357.7
Advanced Electronic Solutions (formerly Defence Systems)	**172.5**	180.4	371.9
Aviation Services	**205.5**	170.5	365.2
Head office, other activities and elimination of inter-segment items	**(2.4)**	(1.7)	(4.1)
Core Group	**830.1**	853.0	1,768.8
Non-core businesses	**4.0**	10.9	20.9
Total Group revenue	**834.1**	863.9	1,789.7
Profit before taxation			
Communications and Connectivity	**51.4**	60.1	115.3
Mission Systems	**19.9**	32.1	73.9
Advanced Electronic Solutions	**25.6**	31.3	63.4
Aviation Services	**26.1**	22.2	48.0
Head office, other activities and elimination of inter-segment items	**6.8**	6.4	14.5
Core Group trading profit	**129.8**	152.1	315.1
Non-core businesses	**(0.1)**	1.9	2.5
Total Group trading profit	**129.7**	154.0	317.6
Business restructuring - Excellence in Delivery	**(13.1)**	(25.8)	(56.1)
Movements in non-hedge accounted derivative financial instruments	**5.7**	(16.1)	2.2
Amortisation of intangible assets arising on business combinations	**(48.6)**	(40.8)	(103.9)
Impairment of goodwill	**-**	-	(63.0)
Revaluation gain arising on equity interests in FBH	**-**	-	62.1
Exceptional legal costs	**(0.8)**	-	-
Other business acquisition and divestment related items	**(4.2)**	(2.3)	(0.1)
Net finance costs	**(14.5)**	(18.1)	(32.2)
Profit before taxation	**54.2**	50.9	126.6

4. Finance income and costs

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Finance income:			
Bank interest	**1.9**	1.8	3.3
Other finance income	**0.9**	0.9	2.0
Total finance income	**2.8**	2.7	5.3
Finance costs:			
Interest on bank overdrafts, loans and senior notes	**(12.5)**	(16.4)	(29.6)
Interest on net pension scheme liabilities	**(1.8)**	(1.6)	(2.8)
Other finance expense	**(3.0)**	(2.8)	(5.1)
Total finance costs	**(17.3)**	(20.8)	(37.5)
Net finance costs excluding pension schemes	**(12.7)**	(16.5)	(29.4)
Net finance cost on pension schemes	**(1.8)**	(1.6)	(2.8)
Net finance costs	**(14.5)**	(18.1)	(32.2)

Net finance costs include £2.4m (30 June 2013: £1.0m, 31 December 2013: £2.6m) of acquisition related loan facility arrangement fees and unwinding of discounting. These are excluded from underlying profit in note 2.

5. Dividends

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Final dividend of 7.04 pence per share for 2013 (2012: 6.4 pence)	**75.5**	68.5	68.5
Interim dividend of 2.64 pence per share for 2013	**-**	-	28.1
	75.5	68.5	96.6

The final dividend for 2013 was approved at the AGM held on 24 April 2014 and paid to shareholders on 30 May 2014.

In addition to the above, an interim dividend of 2.904 pence per share (2013: 2.64 pence per share) in respect of the financial year ended 31 December 2014 was approved by the Board on 6 August 2014. This has not been included as a liability in these financial statements. This will absorb an estimated £32.9m of shareholders' funds and will be paid on 7 November 2014 to shareholders who are on the register of members as at 10 October 2014.

6. Earnings per Ordinary Share (EPS)

		Half year to 30.6.14	Half year to 30.6.13	Year to 31.12.13
Basic EPS				
Earnings attributable to owners of the parent	£m	**46.0**	48.4	114.3
Weighted average number of shares	million	**1,083.6**	1,068.3	1,068.7
Basic EPS	pence	**4.25**	4.53	10.70
Diluted EPS				
Earnings attributable to owners of the parent	£m	**46.0**	48.4	114.3
Weighted average number of shares	million	**1,083.6**	1,068.3	1,068.7
Effect of dilutive securities		**6.2**	3.7	4.3
Diluted number of shares	million	**1,089.8**	1,072.0	1,073.0
Diluted EPS	pence	**4.22**	4.51	10.65

On 23 May 2014, 60 million new Ordinary Shares of 2.5 pence each were issued at a premium of £2.975p per Ordinary Share. No new shares were issued during the year ended 31 December 2013.

At 30 June 2014, 81,638,199 (31 December 2013: 85,680,533) Ordinary Shares were held in Treasury, including 5,686,475 (31 December 2013: 9,728,809) shares held in the Cobham Employee Benefit Trust. Shares have been purchased by the Cobham Employee Benefit Trust during the period in connection with the Group's share incentive schemes and transferred from the Trust to employees upon exercise of vested awards.

7. Property, plant and equipment

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Carrying amount at start of period	**350.8**	304.8	304.8
Additions	**22.2**	26.0	60.6
Acquired with business combinations	**-**	0.9	78.8
Disposals	**(1.2)**	(8.3)	(11.2)
Depreciation	**(34.0)**	(28.4)	(62.8)
Reclassifications	**-**	(0.5)	(1.1)
Foreign exchange adjustments	**(1.8)**	1.6	(18.3)
Carrying amount at end of period	**336.0**	296.1	350.8

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

£m	**As at 30.6.14**	As at 30.6.13	As at 31.12.13
Commitments at end of period	**6.8**	8.3	13.6

8. Cash and cash equivalents and net debt

Reconciliation of cash and cash equivalents and net debt

£m	**As at 30.6.14**	As at 30.6.13	As at 31.12.13
Cash and cash equivalents as shown in Cash Flow Statement	**279.1**	184.4	199.0
Bank overdrafts	**3.4**	24.0	1.7
Cash and cash equivalents per Balance Sheet	**282.5**	208.4	200.7
Borrowings - current liabilities	**(296.0)**	(404.0)	(344.5)
Borrowings - non-current liabilities	**(299.8)**	(288.7)	(309.6)
Net debt	**(313.3)**	(484.3)	(453.4)

Reconciliation of movements in net debt

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Net debt at start of period	**(453.4)**	(359.9)	(359.9)
Increase/(decrease) in cash and cash equivalents per Cash Flow Statement	**83.5**	(61.1)	(36.8)
New borrowings	**(21.9)**	(26.6)	(67.0)
Repayment of borrowings	**62.5**	3.5	7.7
Exchange movements	**16.0**	(40.2)	2.6
Net debt at end of period	**(313.3)**	(484.3)	(453.4)

9. Retirement benefit obligations

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Net liability at start of period	**(87.3)**	(73.4)	(73.4)
Amount recognised in Income Statement	**(4.9)**	(4.6)	(9.4)
Contributions paid by employer	**12.0**	10.7	21.1
Actuarial (losses)/gains recognised in Statement of Comprehensive Income	**(14.9)**	18.6	(25.6)
Net liability at end of period	**(95.1)**	(48.7)	(87.3)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2014 has increased by £7.8m since 31 December 2013, excluding the deferred tax credit associated with such a shortfall, primarily due to the decrease in corporate bond rates which underpins the discount rate.

10. Fair values of financial assets and liabilities

The fair values of financial assets and liabilities which are held at fair value and are measured on a recurring basis are as follows:

£m	**As at 30.6.14**	As at 30.6.13	As at 31.12.13
Financial assets			
Derivative contracts (not hedge accounted)	**18.0**	2.4	11.7
Financial liabilities			
Contingent consideration	**(11.7)**	(41.2)	(27.4)
Derivative contracts (designated as hedging instruments)	**(3.4)**	(4.6)	(3.2)
Derivative contracts (not hedge accounted)	**(7.7)**	(20.4)	(8.8)
	(4.8)	(63.8)	(27.7)

Movements in the fair value of contingent consideration during the period are as follows:

£m	**Half year to 30.6.14**	Half year to 30.6.13	Year to 31.12.13
Fair value at start of period	**27.4**	16.8	16.8
Acquired on business combinations	**-**	22.1	22.1
Amounts paid	**(15.9)**	-	(2.5)
Gains or losses recognised in profit or loss:			
Released in year	**(0.5)**	-	(11.9)
Unrealised change in fair value - discounting included in finance costs	**0.8**	1.0	2.6
Foreign exchange adjustments	**(0.1)**	1.3	0.3
Fair value at end of period	**11.7**	41.2	27.4

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supportable by observable market prices or rates.

The fair value of contingent consideration is determined based on the estimated payment, discounted to present value, using unobservable inputs such as the anticipated rate of annual revenue growth, profit margins and discount rates. The estimated payment is calculated using the income approach, considering different scenarios of the relevant profit measure. The fair value would decrease with lower than anticipated annual revenue growth rates and profit margin or a higher discount rate. Management consider that changing the unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value. The balance reflects the maximum amount payable and is due for payment by March 2015.

Financial assets and liabilities which are initially recorded at fair value and subsequently held at amortised cost include trade and other receivables, other financial assets, cash and cash equivalents, trade payables and other liabilities. The carrying values of these items are assumed to approximate to fair value due to their short term nature.

Borrowings are held at amortised cost which equates to fair value, except for the Group's fixed rate senior notes and one bank loan which is now at a fixed interest rate. At 30 June 2014 the fair value of fixed rate borrowings was £242.4m (30 June 2013: £279.2m, 31 December 2013: £250.1m) compared to a book value of £209.2m (30 June 2013: £236.6m, 31 December 2013: £216.7m).

11. Business combinations

There were no acquisitions completed during the period to 30 June 2014. On 20 May 2014, the Company announced that it had entered into a conditional agreement to acquire the total issued and outstanding shares of common stock of Aeroflex Holding Corp. for an enterprise value of approximately US$1,460m (£869m) including Aeroflex's net debt of US$540m (£321m) at 31 March 2014. The acquisition is expected to complete late in the third calendar quarter of 2014.

In the Group consolidated financial statements for the year to 31 December 2013, the fair values of assets and liabilities acquired for FBH were marked as provisional. During the period to 30 June 2014 the opening balance sheet has been amended to reflect an increase in trade and other payables of £1.8m, a decrease in current tax liabilities of £2.5m and an increase in deferred tax assets of £0.4m. Goodwill has therefore been adjusted accordingly.

12. 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.

As notified in prior years, the Group has previously identified 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 circumstances surrounding this remain under review and neither the outcome nor timing of resolution can be estimated. No further information is disclosed as it could be prejudicial.

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, whose resolution is uncertain and could materially impact the Group's future reported earnings. In particular, on fixed price development contracts, where there is currently a high level of activity, costs incurred and anticipated can significantly exceed amounts estimated at inception as a result of material enhancements to the specifications originally agreed under the contracts. Judgement is therefore required as regards the outcome of negotiations and the amounts recoverable under these contracts. The Directors take account of the advice of experts in making these judgements and believe that the outcome of negotiations will result in an appropriate recovery of costs.

On 24 February 2014 the Group voluntarily contacted the United States Department of Justice (DoJ) to inform it that Cobham had undertaken an initial internal investigation into potentially irregular sales practices concerning sales to Asia of certain commercial, non-classified products manufactured by TracStar Systems Inc. (TracStar). TracStar is based in Orlando, Florida and is part of the Group’s SATCOM business. The business manufactures a range of inertial stabilisation and satellite tracking systems used by government and commercial customers globally for land based applications. Its total worldwide revenue in 2013 was under £15m, representing less than 1% of Group revenue. Cobham will continue to co-operate with the DoJ in relation to this matter, however, the circumstances continue to be under review and neither the outcome nor the timescale for resolution can be estimated at present.

13. 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. There were no 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 Risk Committee meets regularly to monitor and update the Group's risks and ensure mitigation activities are in place. As part of the interim process, the Committee concluded that the Group's principal risks identified on pages 28 to 31 of the 2013 Annual Report and Accounts remain valid and relate to: deterioration in the macroeconomic environment adversely impacting our markets; failure to execute on agreed strategy to return to sustainable organic revenue growth; failure to identify and execute value creating M&A to supplement organic growth; inability to attract, retain and develop best talent, leading to a shortage of key skills; contract risk and execution; long term contract exposures to inflation, currency and commodity pricing fluctuations; significant business interruption; and failure to comply with laws, regulations and restrictions.

In addition, the Group has identified one further principal risk since the end of the last reporting period. This relates to the successful completion and integration of the Aeroflex acquisition, due to close in the third quarter. Management considers that it has appropriate mitigating actions in place to ensure this potential risk is managed effectively within the Group's risk appetite.

The Group's risk management process is detailed on page 28 of the 2013 Annual Report and Accounts.

Statement of Directors' Responsibilities

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

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

The Directors of Cobham plc are listed on page 36 of the 2013 Annual Report and Accounts. Since the year end, the following changes have been made:

- J Patterson stood down from the Board with effect from 24 April 2014.
- B Nørgaard was appointed as a Non-executive Director on 24 April 2014.

A list of current Directors is maintained on the Cobham Group website: www.cobham.com.

On behalf of the Board

R Murphy
Chief Executive Officer

S Nicholls
Chief Financial Officer

6 August 2014

Independent review report to Cobham plc

Report on the interim financial information

Our conclusion

We have reviewed the interim financial information, defined below, in the Interim Results for the half year ended 30 June 2014 of Cobham plc. Based on our review, nothing has come to our attention that causes us to believe that the interim financial information 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 Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The interim financial information, which is prepared by Cobham plc, comprises:

- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the half year ended 30 June 2014;
- the Consolidated Balance Sheet as at 30 June 2014;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the Consolidated Cash Flow Statement for the period then ended;
- the explanatory notes to the interim financial report.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The interim financial information included in the Interim Results for the half year ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of interim financial information involves

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.

We have read the other information contained in the Interim Results for the half year ended 30 June 2014 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Responsibilities for the interim financial information and the review

Our responsibilities and those of the Directors

The Interim Results for the half year ended 30 June 2014 including the interim financial information, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Results for the half year ended 30 June 2014 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the interim financial information in the Interim Results for the half year ended 30 June 2014 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
PwC London
6 August 2014

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.

-ENDS-