INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

4 August 2016

Underlying[1] results	**Q1 2016**	**Q2 2016**	**H1 2016**	H1 2015 (restated[2])	H1 Change
Order Intake	**£335m**	**£835m**	**£1,170m**	£960m	+22%
Revenue	**£409m**	**£508m**	**£917m**	£1,048m	-13%
Trading Profit	**£15m**	**£87m**	**£102m**	£160m	-36%
Profit before Tax	**£2m**	**£74m**	**£76m**	£135m	-44%
Earnings per Share (EPS)	**0.1p**	**4.3p**	**4.4p**	7.9p	-45%
Operating Cash Conversion[3]	**(147)%**	**150%**	**106%**	77%	+29ppts
Statutory results					
Revenue			**£917m**	£1,048m	-13%
(Loss)/Profit before Tax[4]			**£(38)m**	£4m	
EPS[4]			**(1.9)p**	(0.2)p	
Net Debt			**£877m**	£1,207m*	
Interim Dividend per Share			**2.03p**	2.585p	-21%

**At 31 December 2015*

- First half trading reflects previously announced Q1 performance issues and increased headwinds in Aviation Services. Positive momentum in Q2, including good progress in Wireless and Advanced Electronic Solutions

- Like for like order intake up 28%, with book-to-bill of 1.28x, benefiting from multi-year Aviation Services Qantas award (1.00x excluding Aviation Services); other significant Connectivity awards received for next generation Airbus platforms

- Improved cash conversion of 106% (2015: 77%), driven by lower working capital and capital expenditure

- Rights issue completed; reducing net debt to EBITDA to 2.3x at 30 June 2016

- Interim dividend per share rebased to 2.03p, with total 2016 dividend expected to be approximately 7.4p per share (£126m), consistent with the Rights Issue Prospectus

- As previously announced, full year performance expected to show a more pronounced H2 earnings bias in part resulting from:
  - Improving performance in Wireless; further progress expected
  - Increased activity in aerial refuelling production and development programmes
  - Ongoing resolution of Advanced Electronic Solutions technical and supplier quality issues
  - Increased SATCOM volume, particularly related to high-speed broadband and fisheries
  - On track to achieve £10m net savings in 2016; £4m achieved in H1

Bob Murphy, Cobham Chief Executive Officer, said:

"After a challenging start to the year we have delivered a significant improvement in trading performance in the second quarter.

"We have won a number of key contract awards in the first half and notably every one of the Sectors has a stronger order book than a year ago. Our balance sheet is now strengthened and we have achieved stronger cash generation. A number of challenging market and contract execution risks still remain ahead of us, including on our development programmes, and macro-economic uncertainties that could have an impact on our shorter cycle businesses. However, the Board's expectations for the full year, excluding currency translation impacts, remain unchanged, with a more pronounced earnings bias to the second half of the year.

"The Board is confident that the Group's strategy of investing in technology and know-how, building and maintaining leading positions in its chosen markets each with attractive prospects, leaves Cobham well placed to deliver growth over the medium term."

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, 4 August 2016, with a live webcast 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 of this interim announcement can be downloaded from www.cobhaminvestors.com/reports-and-presentations/2016.

The following notes apply throughout these interim results:

1. *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. 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, gains and losses arising on dividend related foreign exchange contracts, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature.*

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

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

   Business restructuring costs relate to the restructuring of the Group's portfolio which are incremental to normal operations and these relate primarily to the integration of the Aeroflex businesses acquired in 2014.

   Underlying earnings are defined as trading profit less net underlying finance costs, 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 18.

2. *Restatement relates to the reflection of the bonus element of the rights issue in the prior period EPS and Dividend per Share figures.*

3. *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 cash flow is free cash flow before payment of tax, interest and restructuring costs. Operating cash conversion is defined as operating cash flow as a percentage of trading profit.

   A reconciliation of trading profit to operating cash is shown on page 17.

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

4. *Statutory loss and EPS include non-underlying charges associated with acquisition and integration of Aeroflex and non-hedge accounted derivative financial instruments*

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

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

OVERVIEW OF THE HALF YEAR

Group order intake was £1,170m (2015: £960m), being 28% higher like-for-like in the half, with order intake benefiting from the significant contract extension signed with Qantas to continue operations across Australia until 2026. The Group's book-to-bill ratio was 1.28x (2015: 0.92x) or 1.00x (2015: 1.00x) excluding Aviation Services.

At 30 June 2016 the order book was £2,943m (31 December 2015: £2,477m), 17% higher than the year end, excluding the impact of divestments and at constant currency. Each Sector had an increased like-for-like order book compared to the same point in 2015.

Total Group revenue was £917m (2015: £1,048m), with the reduction primarily driven by divestments and lower organic revenue, and this was partially offset by a net benefit from foreign currency translation. Group organic[5] revenue was 9% lower. There was good organic revenue growth of 3% in non-US defence/security markets driven by increased A400M aerial refuelling production and actuation volumes for air-to-ground munitions in the Mission Systems Sector. However, there was lower organic revenue in the US defence/security market of 14%, driven by the Advanced Electronic Solutions Sector, where there were some technical and supplier quality issues on development programmes, which are being addressed. Also, some mature production programmes came to an end, ahead of an expected volume increase from growth programmes in the second half. In addition, there was lower C-130 and KC-46 aerial refuelling revenue in the Mission Systems Sector. In commercial markets organic revenue was 11% lower driven by the Communications and Connectivity Sector. The Wireless business made significant progress in the second quarter, following weak first quarter output which resulted in delayed customer shipments. Further improvement is expected in the second half. There was also lower SATCOM revenue reflecting the weaker oil and gas market, and flying activity in the Aviation Services Sector in natural resources markets was lower.

The Group's trading profit was £102m (2015: £160m) including lower sales volumes and an adverse revenue mix across the Sectors, with delayed Wireless revenue and the one-off charge in this business being a significant factor in the trading profit reduction. Reflecting this, the trading margin was 11.1% (2015: 15.3%).

The Group is on track to deliver the previously announced £10m of net savings in the year, including the reduction of costs in areas of demand weakness and Group overheads, and these will aid mitigation of trading margin pressure and support ongoing profitability and free cash flow. In the first half, the Group achieved £4m of net savings.

Private Venture[6] investment was 8.6% (2015: 8.4%) of revenue or £64m (2015: £71m) which, after the impact of divestments, was broadly unchanged on the prior period. In addition to company investment in PV, there was significant customer funded R&D of £60m (2015: £63m) which is currently largely related to aerial refuelling development programmes, principally the US KC-46 tanker. This has continued to make good progress during flight test, successfully refuelling a US Navy F/A-18 in February and a US Marine Corps AV-8B Harrier II in March 2016. The Group is progressing through the challenging conformity process which will lead to a qualification programme, with requirements currently being finalised.

The Group's underlying profit before tax was £76m (2015: £135m) and underlying EPS was 4.4p (2015: 7.9p).

The Group's operating cash conversion increased to 106% (2015: 77%). This was primarily driven by a cash inflow from lower working capital of £23m (2015: £7m cash outflow) and from lower capital expenditure of £36m (2015: £58m). However, operating cash flow of £108m (2015: £124m) was lower than the prior year driven by the reduction in trading profit. Free cash flow was £54m (2015: £70m) after restructuring payments of £17m (2015: £16m) relating to the integration of the 2014 Aeroflex acquisition.

Cobham announced the results of its fully underwritten 1 for 2 rights issue on 17 June 2016. The rights issue raised £491m after expenses. The Group has swapped the net sterling proceeds of the rights issue into US dollars at approximately US$1.45/£, which is being used to repay US dollar denominated borrowings.

Including the proceeds of the rights issue, the Group's net debt decreased to £877m (31 December 2015: £1,207m) at 30 June 2016 with net debt/EBITDA being 2.3x (31 December 2015: 2.9x).

BOARD

In June 2016 the Group announced that David Mellors, currently CFO of QinetiQ Group plc, would succeed Simon Nicholls as CFO and would join Cobham no later than 1 January 2017.

STRATEGIC PRIORITIES

The Group's strategy is to build and maintain leading positions in its chosen markets by leveraging innovative technology and know-how with a deep insight into its customers' needs.

The Group's focus in the period has been on continuing to win awards and increase the order back log while executing against technology programmes. There has also been a focus on driving recovery in the Wireless business, adjusting the Group's cost structure where markets conditions necessitate, and ensuring the balance sheet is on a firm footing by completing the Rights Issue. Cobham has maintained investment in its critical technologies through the first half of 2016, to ensure it continues to be aligned to its customers' needs, positioning itself to solve future technology problems.

Technology investment

During the period company funded Private Venture investment was 8.6% (2015: 8.4%) of revenue. In 2016, this investment was £64m (2015: £71m) which, after the impact of divestments, was broadly unchanged on the prior period. The Group recognises the importance of aligning its significant technology investment to those markets where there is growing demand for its products and capabilities. This included:

- Cobham SATCOM co-funding development of a small, light and optimised terminal for low altitude long endurance unmanned aerial vehicles, with commercial availability expected in late 2016;

- Cobham AvComm developing an industry first test platform for Software Communications Architecture, which is an open architecture framework that tells designers how hardware and software elements will operate within a software defined radio. The product is generating significant interest from radio manufacturers and governments;

- Cobham's Advanced Electronic Solutions Sector announcing a strategic partnership with RFHIC Corporation of South Korea to develop a 175KW solid-state transmitter for long range radar surveillance applications. This builds on Cobham's recently launched 35KW transmitter for air traffic control and weather radar applications;

- Cobham Mission Systems is introducing personal sensors to record physiological data to enhance fast jet air crew survival, particularly from hypoxia related incidents. As a world leading aviation life support system manufacturer, it is well positioned to integrate sensors on current platforms.

In addition to company investment in PV, there was significant customer funded R&D of £60m (2015: £63m). This investment is linked to specific development programmes and currently is largely related to aerial refuelling development programmes, principally the US KC-46 tanker. It is expected that the rate of customer funded R&D investment will moderate, as the Group progresses from development into low rate initial production.

Operational improvement, cost reduction initiatives and Aeroflex integration

There has been a continued focus on driving recovery in the Wireless business, with ongoing work to support the delivery of operational excellence. This in part has been through implementation of standard operating frameworks, through embedding enhanced risk management processes and improvements to the internal control environment.

Cobham previously announced that it was reviewing its Group-wide cost structures and targeting run-rate net savings of approximately £30m per annum by 31 December 2016, with anticipated net savings of £10m to be delivered in 2016. The Group is on track to deliver these savings, which will aid mitigation of trading margin pressure and support delivery of the Board's earnings expectations and the generation of free cash flow. These initiatives are focused on a combination of restructuring areas of demand weakness, increasing the Group's outsourcing of manufacturing and reducing Cobham's overheads. The Group achieved net savings of £4m in the first half.

Progress on the integration of the former Aeroflex businesses has continued with a further £6m of efficiencies achieved in the half, with costs of £8m. The Group continues to expect that this integration programme will be complete by the end of 2017, with total costs and benefits in line with expectations.

GROUP OPERATIONAL SUMMARY

Markets

Cobham operates in three broad market segments: commercial, which comprises aerospace, space, marine and land markets; US defence/security and non-US defence/security.

Commercial markets - 41% of Group revenue (2015: 41%)

The Group has a particular focus on communication related markets, especially communication on the move, often for harsh and difficult environments. Cobham operates in a number of markets including commercial aviation products and specialist aviation services, marine and land SATCOM products, wireless communication coverage and test and measurement products and microwave components for space, medical and industrial applications. Long term demand is driven by the need for increased bandwidth for communications, together with a customer need for smaller and lighter products, which deliver fuel efficiency and operational savings, and from enhanced health and safety regulations.

Conditions in the Group's commercial markets have continued to be challenging, driven by macro-economic conditions. Notwithstanding this, the Group is confident that its commercial markets have good prospects, driven by medium and longer term trends such as the very strong growth in global mobile data traffic and the global demand for air travel.

The Group has continued to make good progress in the period, announcing significant awards which will deliver long term revenue growth. In June the Group announced it had increased its content on the Airbus narrow body aircraft as its new digital Radio and Audio Integrated Management System was chosen for the A320neo and this contract could be worth several hundred million US dollars over the aircraft's life. It also announced in the same month that it had been awarded a light SATCOM contract in part for use as a safety system on the A320neo, with a total potential value of at least US$200m. In July, Cobham also announced it had signed a significant AUS$1.2bn ten year airline services contract extension with Qantas, with this long term relationship now continuing to 2026.

US defence/security market - 33% of Group revenue (2015: 35%)

The Group has leading positions in the US defence/security market, including its differentiated component and subsystem technologies used in electronic warfare, radar systems, space electronics, missile guidance systems, aerial refuelling, missile actuation and oxygen applications. These technologies are aligned to priority areas for investment, with current emphasis on naval and air domains.

Following a number of years of decline in US Department of Defense (DoD) budgets, these have started to stabilise with 2016 investment budgets seeing a good year-on-year overall increase. In addition, the 2017 Presidential Request provides for investment growth in the base budget of 3.6% between 2015 and 2021, although the Group believes that only a proportion of the investment budget increase will be accessible to industry. However, despite the improving DoD budgetary environment, there remains a time lag between budgetary approval and the spending of the budget, with cumulative investment outlays in the first six months of 2016 being down on the prior period.

Congress will also need to put in place a new agreement ahead of the 2018 budget, to replace the two year bipartisan budget agreement covering the 2016 and 2017 budgets. This will avoid the return of lower Sequestration budgets, with medium term DoD projections currently being substantially above these.

The Group's critical technologies in priority investment areas leave it well positioned on growth platforms like the F-35 Joint Strike Fighter and the KC-46 refuelling tanker, as well as on high priority US Navy upgrade programmes like the Air and Missile Defence Radar and the Surface Electronic Warfare Improvement Program, with the key growth determinant being programme positioning. However, in the short term there is likely to be some volatility as more mature programmes are terminated or reduced to fund investment in next generation programmes.

There has continued to be good progress flight test with the KC-46 hose and drogue aerial refuelling system which successfully refuelled a US Navy F/A-18 in February and a US Marine Corps AV-8B Harrier II in March 2016. The Group is progressing through the challenging conformity process which will lead to a qualification programme, with requirements currently being finalised. The first 18 aircraft are anticipated to be delivered to the US Air Force in the first half of 2018 complete with all required capabilities, except the wing aerial refuelling pods due to a longer certification timeline, with these anticipated to be delivered before the end of that year.

Non-US defence/security markets - 26% of Group revenue (2015: 24%)

Cobham also leverages its leading technologies and capabilities into accessible markets outside of the US, either benefiting from export orders won by US or non-US defence/security customers or by direct sales to a worldwide customer list.

Demand for defence/security products and services is expected to increase over time driven by regional conflicts, tensions and security threats, including in the Middle East, Eastern Europe and Asia-Pacific. Defence/security budgets in Middle East and Asia-Pacific markets remain solid and key European budgets including the UK, France and Germany are all anticipated to grow in the light of heightened security tensions and terrorist threats, although overall growth rates in Europe are expected to be held back by high levels of government indebtedness and public deficits.

Cobham was disappointed to be notified in the first half that it was not successful in its bid for the UK Military Flying Training Systems Rotary Wing contract, which will follow on from Cobham's Defence Helicopter Flying School contract, ending in April 2018. Notwithstanding this, Cobham has continued to progress other growth opportunities in non-US markets including a win in the UK with QinetiQ to provide a helicopter for the Empire Test Pilot School and with the new Australian Maritime Safety Authority contract anticipated to commence flying operations in the second half of 2016, following a period of mobilisation. This contract is expected to be worth AUS$640m over twelve years. In addition, shipments for the aerial refuelling variant of the Airbus A400M aircraft have started to increase, with low rate initial production commencing at the end of 2015.

Sector Review

	Revenue		**Trading Profit**	
£m	**Half Year 2016**	Half Year 2015	**Half Year 2016**	Half Year 2015
Cobham Communications and Connectivity	**328**	409	**22**	58
Trading Margin			***6.7%***	*14.2%*
Cobham Mission Systems	**188**	167	**24**	25
Trading Margin			***13.0%***	*14.9%*
Cobham Advanced Electronic Solutions	**225**	276	**27**	40
Trading Margin			***12.1%***	*14.6%*
Cobham Aviation Services	**176**	203	**21**	28
Trading Margin			***12.1%***	*14.0%*
Head Office and Eliminations	**-**	(7)	**8**	9
Cobham Group	**917**	1,048	**102**	160
Margin			***11.1%***	*15.3%*

Cobham Communications and Connectivity

Provides high performance equipment and solutions to enable reliable connectivity across a range of demanding environments in aerospace, avionics, satellite and radio, wireless and mobile connectivity markets.

£m	Half Year 2016	2015 Constant FX	2015 Reported	Organic Revenue (%)
Revenue	**328**	428	409	**-9%**
Trading Profit	**22**	59	58	
Margin	**6.7%**	13.9%	14.2%	

Total Sector revenue decreased by £100m at constant currency. This was due in part to divestments, which contributed £66m of this reduction. The divestments principally related to the Composites businesses which were divested in November 2015 and the Surveillance business, which was divested in January 2016. In addition, organic revenue was 9% lower.

The lower organic revenue was primarily driven by a particularly weak performance in the Wireless business in the first quarter which, as previously announced, has experienced operational issues, resulting in a significant level of delayed customer shipments. It is expected that volumes, which increased in the second quarter, will continue to improve through the second half of the year, as the recovery continues. Additionally there was lower SATCOM revenue in the half reflecting the weaker oil and gas market. However, within SATCOM there was also increasing demand for Ka band products, as broadband satellite constellations entered commercial service, and there are increasing shipments into fisheries markets. Including these impacts, overall SATCOM volumes have stabilised.

Trading profit was £22m (2015: £59m at constant currency). Trading profit declined, as previously announced, primarily due to significantly lower volumes in the Wireless business and the previously announced £9m one-off charge in the business in the first quarter. The one-off charge included some additional liabilities relating to 2015 shipments and adjustments which reflect the reassessment of some accounting policies. There was a modest favourable impact from divestments and initial net savings from cost actions underway. Reflecting the overall impact of these factors, the Sector's trading margin was 6.7% (2015: 14.2%).

Notwithstanding the Sector's first half challenges, there have been some significant business developments which are anticipated to benefit future results, including:

- A contract with Airbus potentially worth at least US$200m for Cobham's light Inmarsat SATCOM solution (Aviator 200S and 700S). This establishes the Aviator S as a market leader in next generation flight deck SATCOM;

- A contract with Airbus for Cobham's next generation Radio Audio Integrated Management System (RAIMS), to be fit on the A320neo and A330 aircraft family, with the contract worth several hundred million US dollars. Cobham's RAIMS is already standard fit on the Airbus A350 and A380 widebody aircraft;

- Selection by SHENZEN Airlines as the supplier of selective-calling (SELCAL) radio decoders on its 44 BOEING 737-800 aircraft. This major order confirms Cobham as a preferred supplier for SELCAL decoders, which alert crews to incoming communications, even with the radio muted;

- The largest multi-year order to date for Cobham's Global Xpress (GX) SATCOM certified products, to be fitted on 70 ships in support of Nanjing Tankers Corporation 'smart shipping' initiatives. Further underlining the Group's excellent technology, the Mobile Satellite Users Association awarded Cobham the 2016 Top Innovation award for its SAILOR 60GX SATCOM system; and

- Cobham's intelligent digital distributed antenna system (I*d*DAS) has gone into production, with Berlin's 'Fan Mile' the first full scale deployment of I*d*DAS, providing live wireless big screen coverage for thousands of football fans throughout the 2016 European Football Championship. This innovative and leading edge solution is expected to attract increasing interest as it allows for dynamic wireless coverage and capacity management.

Cobham Mission Systems

Provides safety and survival systems for extreme environments, nose-to-tail aerial refuelling systems and wing-tip to wing-tip mission systems for fast jets, transport aircraft and rotorcraft. The Sector's primary focus is serving niche areas of the defence and security market globally, which is supplemented with an expanding presence in commercial aviation markets by applying its differentiated technology, particularly in pneumatic and actuation systems.

£m	**Half Year 2016**	2015 Constant FX	2015 Reported	**Organic Revenue (%)**
Revenue	**188**	176	167	**7%**
Trading Profit	**24**	26	25	
Margin	**13.0%**	14.9%	14.9%	

Total Sector revenue increased £12m at constant currency being driven by organic growth of 7%. The organic growth was driven by higher aerial refuelling production on the Airbus A400M aircraft, increased actuation control subsystem volumes related to air-to-ground munitions and increased shipments of air separation modules for Boeing 737 commercial airliners. Partially offsetting this was lower C-130 and KC-46 aerial refuelling revenue.

Trading profit was broadly flat at £24m (2015: £26m at constant currency) with a trading margin of 13.0% (2015: 14.9%). The slightly lower Sector margin was due to revenue mix, including from production and aftermarket volumes.

Building on the organic revenue growth in the first half, the Sector has continued to make good progress, in particular:

- Cobham's KC-46 centreline drogue system (CDS) and wing aerial refuelling pod (WARP) continued refuelling flight trials now with preparations for Low Rate Initial Production (LRIP) deliveries to support the initial batch of 18 USAF aircraft. There has also been a successful first deployment and rewind of the wing aerial refuelling pod for Embraer's new KC-390 tanker aircraft for the Brazilian Air Force;

- Two major US airlines are now using Cobham's high performance and long life air separation module (ASM) for Boeing 737NG commercial operators, with installed Cobham ASM units having accumulated 26,000 flight hours;

- Continued good demand for missile actuation control subsystems on high volume air-to-ground missiles and laser guided munitions; and

- Cobham's strong portfolio of space rated tanks, valves, regulators and subsystems continue to gain broad acceptance in the commercial space market. This continues the long track record of development of best in class products to address needs in this market.

Cobham Advanced Electronic Solutions

Provides communications on land, at sea, in the air and in space, through off-the-shelf and customised products including radio frequency, microwave, and high reliability microelectronics, antenna sub-systems and motion control solutions. This incorporates defence, wireless/mobile and fixed broadband, x-ray imaging, medical, and industrial markets.

£m	**Half Year 2016**	Half Year 2015 Constant FX	Half Year 2015 Reported	**Organic Revenue (%)**
Revenue	**225**	294	276	**-16%**
Trading Profit	**27**	43	40	
Margin	**12.1%**	14.5%	14.6%	

Total Sector revenue decreased by £69m at constant currency. This was due in part to divestments, which contributed £26m of this decline, principally Weinschel and Inmet which were divested in June 2015, and Metelics which was divested in December 2015. In addition organic revenue was 16% lower in comparison to the prior year.

The organic decline was driven by technical and supplier quality issues in the first quarter, which resulted in deferred revenue on a small number of development programmes. Revenue increased in the second quarter and the recovery of deferred revenue is expected to continue through the second half. There was also an impact from the end of production on certain mature programmes, including the Boeing EA-18G Low Band Transmitter programme and lower commercial space revenue due to programme timing, with a greater than usual weighting expected to the second half. However, there was good growth from missile programmes, with additional volumes expected in the second half from these and from electronic warfare and radar programmes, as shipments accelerate due to programme timing.

Trading profit was £27m (2015: £43m at constant currency). Trading profit decreased due to the lower production volumes, highlighting change in mix, and the technical and supplier quality issues relating to development programmes, with mitigating cost actions underway towards the end of the half. There was a modest adverse impact on trading profit from divestments. Reflecting this overall result, the Sector's trading margin was 12.1% (2015: 14.6%).

Notwithstanding the organic performance in the period, the Sector has differentiated technology and is focused on priority areas for investment spending, and this has led to some encouraging business developments, including:

- The largest multi-year award in recent history was secured for Application Specific Integrated Circuits (ASICs) with Orica, a leading Australian mining services company with global operations, with the ASICs to be used in explosive detonation equipment for mining excavations;

- A number of follow-on orders for growth programmes including the F-35 Joint Strike Fighter and missile programmes, including the Advanced Anti-Radiation Guided Missile;

- First time selection as one of eight companies to participate in the multi-year Advanced Technology Support Program IV (ATSP4). This award is an Indefinite Delivery, Indefinite Quantity (IDIQ) contract award vehicle from the US Defense Microelectronics Activity, with the ATSP4 IDIQ supporting the resolution of issues arising from obsolete, unreliable, unmaintainable or underperforming hardware and software as they arise; and

- Raytheon delivered the first Air and Missile Defense Radar array to the US Navy's Pacific Missile Range Facility in Hawaii for live target testing ahead of schedule, with first delivery expected to a DDG51 Flight III destroyer in 2019. Cobham supplies critical components and subsystems on this next generation radar system.

Cobham Aviation Services

Delivers outsourced aviation services for customers worldwide, including military training, special mission flight operations, outsourced commercial aviation, including fly-in fly-out services to the natural resources industry and aircraft engineering.

£m	**Half Year 2016**	Half Year 2015 Constant FX	Half Year 2015 Reported	**Organic Revenue (%)**
Revenue	**176**	203	203	**-14%**
Trading Profit	**21**	28	28	
Margin	**12.1%**	14.0%	14.0%	

Total Sector revenue decreased £27m at constant currency, driven by organic revenue which was 14% lower. This was due to reduced operations in the Australian natural resources markets, together with a major customer starting the transition from project construction phase to production and operations. In addition, there was lower special mission flying activity including delays in third party military readiness training in the Middle East.

Trading profit was £21m (2015: £28m at constant currency) and largely reflected the lower flying activity in the period, with cost actions taken to support earnings. The trading margin was 12.1% (2015: 14.0%).

While commercial markets remain difficult and there were delays elsewhere, Aviation Services has continued to achieve successes which should benefit future revenue, including:

- Expanded operations with Qantas with an additional two Boeing 717 aircraft entering service in early 2016, to give a total fleet of 20 aircraft. In addition a 10 year extension was signed to continue operations across Australia until 2026 under the Qantas brand;

- A four year contract extension was signed to support rear aircrew training for the UK Military Flight Training School;

- The mobilisation phase of the four Bombardier Challenger CL-604 aircraft for the new 12-year AUS$640m Australian Maritime Safety Authority contract is near to completion. Flying operations are scheduled to commence later in the second half of 2016; and

- A contract was signed to provide QinetiQ with a Bell 412 helicopter for the UK Empire Test Pilot School.

FINANCIAL RESULTS

Orders

Group order intake was £1,170m (2015: £960m). Excluding the impact of divestments and at constant currency order intake was 28% higher in the first half, benefiting from the significant contract extension signed with Qantas to continue operations across Australia until 2026.

The Group's book-to-bill ratio was 1.28x (2015: 0.92x). The book-to-bill ratio was 1.00x (2015: 1.00x), excluding Aviation Services, which is characterised by the receipt of large multi-year orders.

At 30 June 2016 the order book was £2,943m (31 December 2015: £2,477m), of which Aviation Services was £1,436m (31 December 2015: £1,067m). This represented a 17% increase on the year end, excluding the impact of divestments and at constant currency. On the same basis, but excluding Aviation Services, the order book at 30 June 2016 was 5% higher.

Each Sector had an increased order book, after adjusting for divestments and at constant currency, at 30 June 2016 compared to the same point in 2015.

Summary of Underlying Results

A summary of the Group's underlying results is set out below and a reconciliation of underlying to statutory profit numbers is set out on page 18:

£m	**Half year 2016**	Half year 2015
Revenue	**917**	1,048
Trading Profit	**102**	160
Margin	***11.1%***	*15.3%*
Underlying Net Finance Expense	**(26)**	(25)
Underlying Profit Before Tax	**76**	135
Underlying Tax	**(17)**	(29)
Underlying Tax Rate	***22.0%***	*21.5%*
Underlying Profit After Tax	**59**	106
Weighted average Number of Shares (millions)	***1,354***	*1,336*
Underlying EPS (pence)	**4.4**	7.9

Foreign Currency Translation 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 2016	Half year 2015	Full Year 2015
Income Statement - average rate			
US$/£	**1.43**	1.53	1.53
AUS$/£	**1.95**	1.95	2.03
€/£	**1.28**	1.37	1.38
DKK/£	**9.54**	10.19	10.27
Balance Sheet – closing rate			
US$/£	**1.34**	1.57	1.47
AUS$/£	**1.80**	2.05	2.03
€/£	**1.20**	1.41	1.36
DKK/£	**8.95**	10.53	10.13

Revenue

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

Half Year 2015	**FX Translation**	**Divestments**	**Organic Growth**	**Half Year 2016**
£1,048m	**£46m**	**-£90m**	**-£87m**	**£917m**

Total Group revenue was £917m (2015: £1,048m) with the decrease primarily driven by divestments and lower organic revenue. Partially offsetting this, there was a net benefit from foreign currency translation, primarily driven by the US dollar, the euro and the Danish krone.

Group organic revenue was 9% lower. There was good organic revenue growth of 3% in non-US defence/security markets. However, there was lower organic revenue in the US defence/security market of 14% and commercial markets were 11% lower. In non-US defence/security markets there was growth in the Mission Systems Sector driven by higher aerial refuelling production on the Airbus A400M aircraft and increased actuation control subsystem volumes related to air-to-ground munitions. This growth was partially offset by lower special mission flying activity in the Aviation Services Sector, including delays in third party military readiness training in the Middle East.

In the US defence/security market organic revenue declined driven by the Advanced Electronic Solutions Sector where there were some technical and supplier quality issues on development programmes which are being resolved. Also, some mature production programmes came to an end, ahead of an expected volume increase from growth programmes in the second half. In addition, there was lower C-130 and KC-46 aerial refuelling revenue in the Mission Systems Sector. In commercial markets organic revenue was driven lower by the Communications and Connectivity Sector, where the Wireless business made significant progress in the second quarter, following weak first quarter output which resulted in delayed customer shipments, with further improvement expected in the second half. There was also lower SATCOM revenue reflecting the weaker oil and gas market. However, within SATCOM there was also increasing demand for Ka band upgradeable products, as broadband satellite constellations entered commercial service. As anticipated, there were reduced operations in the Aviation Services Sector in the Australian natural resources markets.

Trading Profit

The Group's trading profit was £102m (2015: £160m) including lower sales volumes and an adverse revenue mix across the Sectors, with delayed Wireless revenue and the one-off charge in this business being a significant factor in the trading profit reduction. Reflecting this, the trading margin was 11.1% (2015: 15.3%).

The Group made a statutory operating loss of £12m (2015: £29m profit). The most significant items not included in underlying profit were amortisation of intangible assets arising on business combinations of £81m (2015: £85m) and movements in non-hedge accounted derivative financial instruments of £25m (2015: £1m).

Underlying Net Finance Expense and Underlying Profit Before Tax

The Group's net underlying finance charge in the period was £26m (2015: £25m). The underlying net expense on cash and debt holdings was £25m (2015: £23m), with the non-cash net finance charge from pension schemes slightly lower, as expected, at £1m (2015: £2m).

The Group's underlying profit before tax was £76m (2015: £135m) and there was a statutory loss before tax of £38m (2015: £4m profit).

Taxation

As anticipated, the Group's underlying tax rate increased slightly to 22.0% (2015: 21.5%) from an underlying tax charge of £17m (2015: £29m).

Earnings per Share (EPS) and Ordinary Share Count

Underlying EPS was 4.4p (2015: 7.9p), after the prior year restatement for the bonus factor, following completion of the rights issue. The primary driver behind the change on the prior year was operating performance. There were modest and largely offsetting impacts from favourable foreign currency translation, divestments, the higher tax rate and the increasing average share count.

The Group issued an additional 569.3m ordinary shares via the 16 June 2016 Rights issue, with the 30 June 2016 share count, excluding treasury shares, being 1,707.9m (31 December 2015: 1,138.6m). The weighted average number of shares in the half year was 1,353.7m.

Retirement Obligations

The Group has a number of defined benefit pension schemes with the largest being the Cobham Pension Plan (CPP) in the UK, which was closed to future accruals from 1 April 2016. At 30 June 2016, the estimated deficit for accounting purposes, which is the difference between the value of the schemes' assets and the present value of future liabilities, had increased to £74m (31 December 2015: £57m) before deferred tax.

Actuarial losses on future liabilities were booked in the period due to the significant decrease in the market rate for corporate bonds which underpins the discount rate used. However, this was partially offset by investment gains, primarily due to increases in the value of liability driven investments. These investments were put in place in 2013 and 2014 to mitigate the risk of discount rate volatility.

Cash Flow

The Group's operating cash conversion increased to 106% (2015: 77%). This was primarily driven by a cash inflow from lower working capital of £23m (2015: £7m cash outflow) and from lower capital expenditure of £36m (2015: £58m). However, operating cash flow of £108m (2015: £124m) was lower than the prior year driven by the reduction in trading profit.

The cash inflow from working capital was predominantly driven by lower debtors, in part due to the timing of receipts, with net inventories and creditors remaining broadly unchanged. The Group has made good progress reducing inventory levels in its shorter cycle businesses and delivered further reductions through its continuous improvement activities, but this was offset by increased engineering and development programme balances. Capital expenditure was lower, in part driven by timing in Aviation Services.

Free cash flow was £54m (2015: £70m) after restructuring payments of £17m (2015: £16m), relating to the integration of the 2014 Aeroflex acquisition. Free cash flow also included net interest paid of £27m (2015: £24m) and tax payments of £10m (2015: £14m).

Below free cash flow, the Group paid dividends of £92m (2015: £88m). In addition, there were net payments relating to acquisitions and divestments, net of associated costs of £6m (2015: £5m). There was also a net inflow of £493m (2015: £8m outflow – net cost of treasury shares to satisfy awards and options under the Group's share based schemes) primarily relating to the rights issue proceeds, after the in-period payment of associated expenses.

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

£m	**Half Year 2016**	Half Year 2015
Trading profit	**102**	160
Depreciation, amortisation & other items	**27**	37
Pension contributions in excess of pension charges	**(8)**	(8)
Decrease/(increase) in working capital	**23**	(7)
Net capital expenditure	**(36)**	(58)
Operating cash flow	**108**	124
Operating cash/trading profit	***106%***	*77%*
Underlying net interest paid	**(27)**	(24)
Taxation paid	**(10)**	(14)
Free cash flow before restructuring costs	**71**	86
Restructuring costs	**(17)**	(16)
Free cash flow	**54**	70
Dividends paid	**(92)**	(88)
Business acquisition and divestment related costs paid	**(6)**	(5)
Net rights issue proceeds and treasury shares allocation	**493**	(8)
Exchange movements	**(119)**	17
Decrease/(increase) in net debt	**330**	(14)

Net Debt, Gearing and Rights Issue

Including the net proceeds of the rights issue, the Group's net debt decreased to £877m (31 December 2015: £1,207m) at 30 June 2016. This included adverse exchange rate movements of £119m (2015: £17m favourable), which were largely driven by the translation of Cobham's US dollar denominated debt at 30 June 2016. As expected, there was lower net debt/EBITDA, being 2.3x (31 December 2015: 2.9x). The Group continues to target a net debt/EBITDA ratio of below 2x.

Cobham announced the results of its fully underwritten 1 for 2 rights issue on 17 June 2016. The rights issue raised gross proceeds of £507m in the period, amounting to £491m after expenses. The Group has swapped the net sterling proceeds of the rights issue into US dollars at approximately US$1.45/£, which is being used to repay US dollar denominated borrowings. In addition, the Board has approved a revised hedging policy to limit the sensitivity of its key bank covenant ratio, net debt/EBITDA, to movements in foreign exchange rates.

Dividend

The Board has approved an interim dividend of 2.03p (2015: 2.585p). This dividend reflects the Group's previously announced intention to pay a total dividend in respect of 2016 which is equal in absolute quantum to the £126m dividend announced for 2015. This is equivalent to approximately 7.4p per share, taking into account the increased number of ordinary shares in issue.

The shares will be traded ex-dividend on 6 October 2016 and the interim dividend will be paid on 4 November 2016 to shareholders on the register at 7 October 2016.

RECONCILIATION OF UNDERLYING MEASURES

£m	**Half Year 2016**	Half Year 2015
Operating (Loss)/Profit	**(12)**	29
Adjusted to exclude:		
Business restructuring	**8**	24
Derivative financial instruments	**25**	1
Amortisation of intangible assets arising on business combinations	**81**	85
Other business acquisition and divestment related items	**-**	21
Total operating reconciling items	**114**	131
Trading Profit	**102**	160
Underlying Profit Before Tax is calculated as follows:		
(Loss)/Profit before taxation	**(38)**	4
Total operating reconciling items as above	**114**	131
Underlying Profit Before Taxation	**76**	135
Taxation charge on underlying profit	**(17)**	(29)
Underlying Profit After Taxation	**59**	106
Underlying EPS (pence)	**4.4**	7.9

OUTLOOK

After a challenging start to the year the Group has delivered a significant improvement in trading performance in the second quarter.

Cobham has won a number of key contract awards in the first half and notably every one of the Sectors has a stronger order book than a year ago. It has a balance sheet that is now strengthened and the Group has achieved stronger cash generation. A number of challenging market and contract execution risks still remain ahead, including on development programmes, and macro-economic uncertainties that could have an impact on Cobham's shorter cycle businesses. However, the Board's expectations for the full year, excluding currency translation impacts, remain unchanged, with a more pronounced earnings bias to the second half of the year.

The Board is confident that the Group's strategy of investing in technology and know-how, building and maintaining leading positions in its chosen markets each with attractive prospects, leaves Cobham well placed to deliver growth over the medium term.

- E n d s –

Forward Looking Statements

Nothing in this press release should be construed as a profit forecast or be interpreted to mean that the future earnings per share of Cobham will necessarily be 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 2016

£m	Note	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Revenue	3	**916.7**	1,048.2	2,072.0
Cost of sales		**(648.0)**	(716.2)	(1,408.2)
Gross profit		**268.7**	332.0	663.8
Selling and distribution costs		**(67.2)**	(68.5)	(130.1)
Administrative expenses		**(213.5)**	(233.8)	(521.7)
Operating (loss)/profit		**(12.0)**	29.7	12.0
Finance income	4	**1.7**	2.9	5.2
Finance costs	4	**(28.1)**	(28.3)	(57.0)
(Loss)/profit before taxation		**(38.4)**	4.3	(39.8)
Taxation		**13.4**	(6.5)	2.1
Loss after taxation for the period		**(25.0)**	(2.2)	(37.7)
Attributable to:				
Owners of the parent		**(25.1)**	(2.3)	(37.8)
Non-controlling interests		**0.1**	0.1	0.1
		(25.0)	(2.2)	(37.7)
Earnings per ordinary share (EPS)	6			
Basic		**(1.85)p**	(0.17)p	(2.84)p
Diluted		**(1.85)p**	(0.17)p	(2.84)p

EPS for comparative periods has been restated for the impact of the rights issue.

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

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Operating (loss)/profit	**(12.0)**	29.7	12.0
Adjusted to exclude:			
Business restructuring	**8.3**	23.8	67.5
Derivative financial instruments	**25.1**	0.4	18.8
Amortisation of intangible assets arising on business combinations	**81.4**	85.3	176.8
Impairment of goodwill	**-**	-	26.6
Other business acquisition and divestment related items	**(0.6)**	21.1	30.5
Trading profit	**102.2**	160.3	332.2
Underlying EPS	**4.36p**	7.92p	16.51p

The definitions of trading profit and underlying EPS are shown in note 1. Underlying EPS for comparative periods has been restated for the impact of the rights issue.

Consolidated Statement of Comprehensive Income (unaudited)

For the half year ended 30 June 2016

£m	Note	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Loss after taxation for the period		**(25.0)**	(2.2)	(37.7)
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit retirement benefit obligations	11	**(23.3)**	11.9	29.6
Tax effects		**4.7**	(2.3)	(5.9)
		(18.6)	9.6	23.7
Items that may subsequently be reclassified to profit or loss				
Net translation differences on investments in overseas subsidiaries		**51.3**	(33.5)	(38.2)
Reclassification of cash flow hedge fair values		**1.0**	1.9	1.1
Hedge accounted derivative financial instruments		**(0.3)**	(0.1)	-
Tax effects		**0.1**	(0.5)	(0.2)
		52.1	(32.2)	(37.3)
Other comprehensive income/(expense) for the period		**33.5**	(22.6)	(13.6)
Total comprehensive income/(expense) for the period		**8.5**	(24.8)	(51.3)
Attributable to:				
Owners of the parent		**8.3**	(24.8)	(51.4)
Non-controlling interests		**0.2**	-	0.1
		8.5	(24.8)	(51.3)

Consolidated Balance Sheet (unaudited)

As at 30 June 2016

£m	Note	As at 30.6.16	As at 30.6.15 (Restated)	As at 31.12.15
Assets				
Non-current assets				
Intangible assets	7	**1,769.0**	1,848.8	1,729.5
Property, plant and equipment	8	**406.7**	380.4	379.9
Investment properties		**4.2**	5.1	4.3
Investments in joint ventures and associates		**3.4**	2.8	3.0
Trade and other receivables		**80.3**	65.1	71.3
Other financial assets		**6.1**	6.1	6.1
Deferred tax		**14.1**	10.0	11.4
Derivative financial instruments		**18.4**	10.1	6.5
		2,302.2	2,328.4	2,212.0
Current assets				
Inventories		**439.3**	421.0	410.4
Trade and other receivables		**366.5**	369.7	366.0
Current tax receivables		**4.4**	0.5	8.6
Derivative financial instruments		**6.4**	15.1	9.1
Cash and cash equivalents	9	**493.8**	224.1	294.7
Assets classified as held for sale	13	**8.5**	50.5	16.8
		1,318.9	1,080.9	1,105.6
Liabilities				
Current liabilities				
Borrowings	9	**(93.7)**	(51.7)	(156.4)
Trade and other payables		**(421.3)**	(413.1)	(398.1)
Provisions	10	**(73.4)**	(84.4)	(74.3)
Current tax liabilities		**(114.6)**	(134.9)	(125.1)
Derivative financial instruments		**(40.1)**	(27.9)	(30.6)
Liabilities associated with assets classified as held for sale	13	**(4.0)**	(11.7)	(12.7)
		(747.1)	(723.7)	(797.2)
Non-current liabilities				
Borrowings	9	**(1,277.3)**	(1,409.0)	(1,345.1)
Trade and other payables		**(30.5)**	(35.6)	(24.8)
Provisions	10	**(51.1)**	(48.5)	(68.2)
Deferred tax		**(88.6)**	(104.6)	(102.0)
Derivative financial instruments		**(32.7)**	(16.8)	(13.9)
Retirement benefit obligations	11	**(74.0)**	(83.8)	(56.7)
		(1,554.2)	(1,698.3)	(1,610.7)
Net assets		**1,319.8**	987.3	909.7
Equity				
Share capital		**44.6**	30.4	30.4
Share premium		**778.3**	301.9	301.9
Other reserves		**50.7**	5.1	(0.3)
Retained earnings		**445.1**	649.0	576.8
Total equity attributable to the owners of the parent		**1,318.7**	986.4	908.8
Non-controlling interests in equity		**1.1**	0.9	0.9
Total equity		**1,319.8**	987.3	909.7

Details of the restatement of the June 2015 Balance Sheet can be found in note 13.

Consolidated Statement of Changes in Equity (unaudited)

For the half year ended 30 June 2016

£m	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2016	**30.4**	**301.9**	**(0.3)**	**576.8**	**908.8**	**0.9**	**909.7**
Loss for the period	**-**	**-**	**-**	**(25.1)**	**(25.1)**	**0.1**	**(25.0)**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**(18.6)**	**(18.6)**	**-**	**(18.6)**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**52.0**	**-**	**52.0**	**0.1**	**52.1**
Total comprehensive income for the period	**-**	**-**	**52.0**	**(43.7)**	**8.3**	**0.2**	**8.5**
Issue of shares, net of costs (note 6)	**14.2**	**476.4**	**-**	**-**	**490.6**	**-**	**490.6**
Proceeds on allocation of treasury shares	**-**	**-**	**-**	**2.2**	**2.2**	**-**	**2.2**
Dividends (note 5)	**-**	**-**	**-**	**(91.6)**	**(91.6)**	**-**	**(91.6)**
Share based payments	**-**	**-**	**1.3**	**-**	**1.3**	**-**	**1.3**
Transfer of other reserves to retained earnings	**-**	**-**	**(1.4)**	**1.4**	**-**	**-**	**-**
Tax effects	**-**	**-**	**(0.9)**	**-**	**(0.9)**	**-**	**(0.9)**
Total equity at 30 June 2016	**44.6**	**778.3**	**50.7**	**445.1**	**1,318.7**	**1.1**	**1,319.8**

£m	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2015	30.4	301.9	42.7	736.4	1,111.4	0.9	1,112.3
Loss for the year	-	-	-	(37.8)	(37.8)	0.1	(37.7)
Items that will not be reclassified subsequently to profit or loss	-	-	-	23.7	23.7	-	23.7
Items that may subsequently be reclassified to profit or loss	-	-	(37.3)	-	(37.3)	-	(37.3)
Total comprehensive expense for the year	-	-	(37.3)	(14.1)	(51.4)	0.1	(51.3)
Net purchase of treasury shares	-	-	-	(24.9)	(24.9)	-	(24.9)
Dividends (note 5)	-	-	-	(122.1)	(122.1)	-	(122.1)
Share based payments	-	-	(3.0)	-	(3.0)	-	(3.0)
Transfer of other reserves to retained earnings	-	-	(1.5)	1.5	-	-	-
Tax effects	-	-	(1.1)	-	(1.1)	-	(1.1)
Foreign exchange adjustments	-	-	(0.1)	-	(0.1)	(0.1)	(0.2)
Total equity at 31 December 2015	30.4	301.9	(0.3)	576.8	908.8	0.9	909.7

£m	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2015	30.4	301.9	42.7	736.4	1,111.4	0.9	1,112.3
Loss for the period	-	-	-	(2.3)	(2.3)	0.1	(2.2)
Items that will not be reclassified subsequently to profit or loss	-	-	-	9.6	9.6	-	9.6
Items that may subsequently be reclassified to profit or loss	-	-	(32.1)	-	(32.1)	(0.1)	(32.2)
Total comprehensive expense for the period	-	-	(32.1)	7.3	(24.8)	-	(24.8)
Net purchase of treasury shares	-	-	-	(8.3)	(8.3)	-	(8.3)
Dividends (note 5)	-	-	-	(87.7)	(87.7)	-	(87.7)
Share based payments	-	-	(2.6)	-	(2.6)	-	(2.6)
Transfer of other reserves to retained earnings	-	-	(1.3)	1.3	-	-	-
Tax effects	-	-	(1.6)	-	(1.6)	-	(1.6)
Total equity at 30 June 2015	30.4	301.9	5.1	649.0	986.4	0.9	987.3

Consolidated Cash Flow Statement

For the half year ended 30 June 2016

£m	Note	Half year to 30.6.16	Half year to 30.6.15	Year to 31.12.15
Operating (loss)/profit		**(12.0)**	29.7	12.0
Non-cash items:				
Share of post-tax profits of joint ventures and associates		**(0.1)**	-	(0.2)
Depreciation and amortisation		**116.0**	126.9	254.4
Impairment of goodwill		**-**	-	26.6
Loss/(profit) on sale of property, plant and equipment		**3.5**	0.5	(1.4)
Business acquisition and divestment related items		**(0.6)**	19.7	27.3
Derivative financial instruments		**25.1**	0.4	18.8
Pension contributions in excess of pension charges		**(8.2)**	(8.0)	(17.8)
Share based payments		**1.3**	(2.6)	(3.0)
Operating cash movements:				
Increase in inventories		**(1.1)**	(23.6)	(34.6)
Decrease in trade and other receivables		**24.5**	21.5	19.1
Decrease in trade and other payables		**(5.8)**	(4.9)	(38.6)
(Decrease)/increase in provisions		**(22.0)**	(0.5)	7.4
Tax paid		**(9.7)**	(13.6)	(31.5)
Interest paid		**(28.5)**	(25.8)	(53.0)
Interest received		**1.4**	1.8	3.6
Net cash from operating activities		**83.8**	121.5	189.1
Cash flows from investing activities				
Purchase of property, plant and equipment		**(35.7)**	(54.8)	(97.8)
Purchase of intangible assets		**(5.0)**	(9.8)	(18.6)
Proceeds on disposal of property, plant and equipment		**4.2**	5.9	17.7
Acquisition of subsidiaries net of cash or debt acquired		**-**	(52.5)	(52.6)
Net proceeds of business divestments		**0.2**	54.4	205.2
Net cash (used in)/from investing activities		**(36.3)**	(56.8)	53.9
Cash flows from financing activities				
Issue of share capital	6	**490.6**	-	-
Dividends paid	5	**(91.6)**	(87.7)	(122.1)
Purchase of treasury shares		**-**	(12.3)	(29.3)
Proceeds on allocation of treasury shares		**2.2**	4.0	4.4
New borrowings		**-**	288.5	257.9
Repayment of borrowings		**(292.0)**	(250.8)	(271.0)
Net cash from/(used in) financing activities		**109.2**	(58.3)	(160.1)
Net increase in cash and cash equivalents		**156.7**	6.4	82.9
Exchange movements		**43.1**	(6.7)	(13.2)
Cash and cash equivalents at start of period		**294.0**	224.3	224.3
Cash and cash equivalents at end of period		**493.8**	224.0	294.0

A reconciliation of cash and cash equivalents to the Balance Sheet and movement in net debt is detailed in note 9.

Notes to the Interim Financial Statements

For the half year ended 30 June 2016

1. Basis of preparation

This unaudited condensed interim financial information for the half year ended 30 June 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct 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 Statements). This information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the EU and applicable laws and regulations. These Interim Financial Statements have been reviewed, not audited.

The Directors believe, after making enquiries they consider to be appropriate, that the Group 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 Group'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.

These Interim Financial Statements and the comparative figures for the year ended 31 December 2015 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.

The Interim Results were approved by the Board of Directors and approved for issue on 3 August 2015. 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 2015 and are expected to be applied for the year ended 31 December 2016. From 1 January 2016 a number of amendments to existing standards, which were effective from 1 January 2016 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 operating performance of the Group.

All underlying measures include the operational results of all businesses including those held 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, gains and losses arising on dividend related foreign exchange contracts, 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, revaluation gains and losses arising on the original equity interests on stepped acquisitions, gains or losses arising on business divestments, 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 and these relate primarily to the integration of the Aeroflex businesses acquired in 2014.

Underlying earnings

Underlying earnings are defined as trading profit less net underlying finance costs, which excludes 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 cash flow is free cash flow before payment of tax, interest and restructuring costs.

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 42 to 45 of the 2015 Annual Report and Accounts.

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

2. Underlying measures

£m	Half year to 30.6.16	Half year to 30.6.15	Year to 31.12.15
Operating (loss)/profit	**(12.0)**	29.7	12.0
Business restructuring	**8.3**	23.8	67.5
Derivative financial instruments	**25.1**	0.4	18.8
Amortisation of intangible assets arising on business combinations	**81.4**	85.3	176.8
Impairment of goodwill	**-**	-	26.6
Other business acquisition and divestment related items			
(Profit)/loss on divestments	**(0.6)**	10.4	(53.8)
Amounts provided related to businesses held for sale	**-**	-	69.0
Pre-acquisition profit element of inventory written off	**-**	9.3	9.3
Other M&A related costs	**-**	1.4	6.0
Trading profit	**102.2**	160.3	332.2
Underlying net finance costs	**(26.4)**	(25.4)	(51.8)
Underlying profit before taxation	**75.8**	134.9	280.4
Taxation charge on underlying profit	**(16.7)**	(29.0)	(60.2)
Non-controlling interests	**(0.1)**	(0.1)	(0.1)
Underlying profit after taxation attributable to owners of the parent	**59.0**	105.8	220.1

		Half year to 30.6.16	Half year to 30.6.15 (Restated)	Year to 31.12.15 (Restated)
Weighted average number of shares	million	**1,353.7**	1,336.3	1,333.2
Underlying basic EPS		**4.36p**	7.92p	16.51p
Diluted weighted average number of shares	million	**1,357.1**	1,343.5	1,338.7
Underlying diluted EPS		**4.35p**	7.87p	16.44p

Underlying EPS figures for the comparative periods above have been restated to reflect the bonus element of the rights issue completed during the current period.

Underlying administrative expenses, after adjusting for the reconciling items in the table above, amounted to:

£m	Half year to 30.6.16	Half year to 30.6.15	Year to 31.12.15
Underlying administrative expenses	**99.3**	103.2	201.5
% of revenue	**10.8%**	9.8%	9.7%

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

£m	Half year to 30.6.16	Half year to 30.6.15	Year to 31.12.15
Net cash from operating activities per Cash Flow Statement	**83.8**	121.5	189.1
Purchase of property, plant and equipment	**(35.7)**	(54.8)	(97.8)
Purchase of intangible assets	**(5.0)**	(9.8)	(18.6)
Proceeds on disposal of property, plant and equipment	**4.2**	5.9	17.7
Business acquisition and divestment related costs paid	**6.7**	6.7	15.1
Free cash flow	**54.0**	69.5	105.5
Business restructuring	**17.2**	16.5	48.2
Tax paid	**9.7**	13.6	31.5
Underlying net finance costs paid	**27.1**	24.0	49.4
Operating cash flow	**108.0**	123.6	234.6

3. Segment information

The Group reports four segments whose revenue and results are reported to the Board.

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Revenue			
Communications and Connectivity	**328.5**	408.9	771.8
Mission Systems	**187.5**	167.1	382.4
Advanced Electronic Solutions	**225.6**	275.9	538.0
Aviation Services	**175.7**	203.0	390.1
Head office, other activities and elimination of inter-segment items	**(0.6)**	(6.7)	(10.3)
Total Group revenue	**916.7**	1,048.2	2,072.0
Profit before taxation			
Communications and Connectivity	**21.9**	58.2	108.4
Mission Systems	**24.3**	24.9	68.0
Advanced Electronic Solutions	**27.3**	40.3	80.5
Aviation Services	**21.2**	28.4	57.3
Head office, other activities and elimination of inter-segment items	**7.5**	8.5	18.0
Total Group trading profit	**102.2**	160.3	332.2
Business restructuring	**(8.3)**	(23.8)	(67.5)
Derivative financial instruments	**(25.1)**	(0.4)	(18.8)
Amortisation of intangible assets arising on business combinations	**(81.4)**	(85.3)	(176.8)
Impairment of goodwill	**-**	-	(26.6)
Other business acquisition and divestment related items	**0.6**	(21.1)	(30.5)
Net finance costs	**(26.4)**	(25.4)	(51.8)
(Loss)/profit before taxation	**(38.4)**	4.3	(39.8)

4. Finance income and costs

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Bank interest	**0.6**	1.9	3.1
Other finance income	**1.1**	1.0	2.1
Total finance income	**1.7**	2.9	5.2
Interest on bank overdrafts and loans	**(26.8)**	(26.0)	(52.8)
Interest on net pension scheme liabilities	**(0.9)**	(1.7)	(3.1)
Other finance expense	**(0.4)**	(0.6)	(1.1)
Total finance costs	**(28.1)**	(28.3)	(57.0)
Net finance costs	**(26.4)**	(25.4)	(51.8)

5. Dividends

£m	Half year to 30.6.16	Half year to 30.6.15	Year to 31.12.15
Final dividend of 8.13p per share for 2015 (2014: 7.746p)	**91.6**	87.7	87.7
Interim dividend of 3.05p per share for 2015	**-**	-	34.4
Total dividend authorised and paid during the period	**91.6**	87.7	122.1

The final dividend for 2015 was approved at the AGM held on 28 April 2016 and paid to shareholders on 27 May 2016.

In addition to the above, an interim dividend of 2.03p per share (2015: 3.05p per share) in respect of the financial year ending 31 December 2016 was approved by the Board on 3 August 2016. This has not been included as a liability in these financial statements. This will absorb an estimated £34.4m (2015: £34.4m) of shareholders' funds and will be paid on 4 November 2016 to shareholders who are on the register of members as at 7 October 2016.

6. Earnings per ordinary share (EPS)

		Half year to 30.6.16	Half year to 30.6.15 (Restated)	Year to 31.12.15 (Restated)
Earnings attributable to owners of the parent	£m	**(25.1)**	(2.3)	(37.8)
Weighted average number of shares	million	**1,353.7**	1,336.3	1,333.2
Basic and diluted EPS	pence	**(1.85)**	(0.17)	(2.84)

When losses are made, potentially dilutive shares have no impact on EPS.

Following a 1 for 2 fully underwritten rights issue, 569,287,950 ordinary shares of 2.5 pence each were issued on 16 June 2016 at an issue price of 89p per share. Net proceeds of £490.6m were realised net of costs of £16.1m.

EPS for the comparative periods above has been restated to reflect the bonus element of the rights issue, in accordance with IAS 33, Earnings Per Share.

At 30 June 2016, 88,016,861 (31 December 2015: 89,634,016) ordinary shares were held in Treasury, including 12,065,137 (31 December 2015: 13,682,292) shares held in the Cobham Employee Benefit Trust. During the period, shares have been transferred from the Trust to employees upon exercise of vested awards.

7. Intangible assets

£m	Half year to 30.6.16	Half year to 30.6.15 (Restated)	Year to 31.12.15
Carrying amount at start of period	**1,729.5**	2,040.8	2,040.8
Additions	**4.3**	7.3	16.9
Business divestments	**-**	(64.8)	(110.8)
Disposals	**(0.1)**	-	-
Amortisation and impairment	**(84.4)**	(87.7)	(254.6)
Reclassifications	**(4.3)**	(13.1)	0.4
Foreign exchange adjustments	**124.0**	(33.7)	36.8
Carrying amount at end of period	**1,769.0**	1,848.8	1,729.5

Reclassifications includes assets which have been reclassified as held for sale, referred to in note 13. Details of the June 2015 restatement can also be found in note 13.

8. Property, plant and equipment

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Carrying amount at start of period	**379.9**	390.0	390.0
Additions	**39.0**	54.4	99.0
Business divestments	**-**	(3.5)	(19.8)
Disposals	**(7.7)**	(1.3)	(10.3)
Depreciation	**(31.5)**	(39.0)	(73.0)
Reclassifications	**(0.9)**	(10.8)	(6.0)
Foreign exchange adjustments	**27.9**	(9.4)	-
Carrying amount at end of period	**406.7**	380.4	379.9

Reclassifications include assets which have been reclassified as held for sale, referred to in note 13.

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

£m	**As at 30.6.16**	As at 30.6.15	As at 31.12.15
Commitments at end of period	**21.6**	31.1	29.3

9. Cash and cash equivalents and net debt

Reconciliation of cash and cash equivalents and net debt

£m	**As at 30.6.16**	As at 30.6.15	As at 31.12.15
Cash and cash equivalents per Cash Flow Statement	**493.8**	224.0	294.0
Bank overdrafts	**-**	0.1	0.7
Cash and cash equivalents per Balance Sheet	**493.8**	224.1	294.7
Borrowings - current liabilities	**(93.7)**	(51.7)	(156.4)
Borrowings - non-current liabilities	**(1,277.3)**	(1,409.0)	(1,345.1)
Net debt	**(877.2)**	(1,236.6)	(1,206.8)

Reconciliation of movements in net debt

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Net debt at start of period	**(1,206.8)**	(1,222.7)	(1,222.7)
Increase in cash and cash equivalents per Cash Flow Statement	**156.7**	6.4	82.9
New borrowings	**-**	(288.5)	(257.9)
Repayment of borrowings	**292.0**	250.8	271.0
Exchange movements	**(119.1)**	17.4	(80.1)
Net debt at end of period	**(877.2)**	(1,236.6)	(1,206.8)

Net debt has reduced during the period as a result of the rights issue completed in June 2016. In accordance with the Group's policy of minimising foreign currency risk, the sterling proceeds from the rights issue were swapped into US dollars at approximately US$1.45/£ ahead of completion of the rights issue. This has enabled the Group to pay down US dollar drawings under the Group's floating rate bank facilities and the balance of the funds are held as cash and cash equivalents which will be used to settle further US dollar borrowings in due course.

10. Provisions

£m	**Half year to 30.6.16**	Half year to 30.6.15 (Restated)	Year to 31.12.15
At start of period	**(142.5)**	(127.0)	(127.0)
Additional provisions in the period	**(7.1)**	(11.8)	(49.7)
Business divestments	**-**	0.9	1.0
Utilisation of provisions	**25.5**	10.1	34.3
Unused amounts reversed in the period	**7.8**	1.9	3.6
Reclassifications including amounts transferred to held for sale	**2.0**	(7.3)	(0.8)
Exchange differences	**(10.2)**	0.3	(3.9)
At end of period	**(124.5)**	(132.9)	(142.5)
Current liabilities	**(73.4)**	(84.4)	(74.3)
Non-current liabilities	**(51.1)**	(48.5)	(68.2)
	(124.5)	(132.9)	(142.5)

Details of the June 2015 restatement can be found in note 13.

11. Retirement benefit obligations

£m	**Half year to 30.6.16**	Half year to 30.6.15	Year to 31.12.15
Net liability at start of period	**(56.7)**	(102.0)	(102.0)
Amount recognised in Income Statement	**(2.6)**	(5.3)	(6.5)
Contributions paid by employer	**9.9**	11.6	22.7
Actuarial (losses)/gains recognised in OCI	**(23.3)**	11.9	29.6
Exchange differences	**(1.3)**	-	(0.5)
Net liability at end of period	**(74.0)**	(83.8)	(56.7)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2016 has increased by £17.3m since 31 December 2015, excluding the deferred tax impact. Actuarial losses of £97m on plan liabilities arose due to the significant decrease in corporate bond rates which underpins the discount rate, which reduced from 3.8% at 31 December 2015 to 2.9% at 30 June 2016. However, this was offset by investment gains of £74m primarily due to increases in value of the liability driven investments, which mitigate the risk against discount rate volatility.

12. 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 30.6.16**	As at 30.6.15	As at 31.12.15
Financial assets			
Derivative contracts (designated as hedging instruments)	**-**	0.6	4.4
Derivative contracts (not hedge accounted)	**24.8**	24.6	11.2
Financial liabilities			
Derivative contracts (designated as hedging instruments)	**(4.9)**	(5.0)	(4.3)
Derivative contracts (not hedge accounted)	**(67.9)**	(39.7)	(40.2)
	(48.0)	(19.5)	(28.9)

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.

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 borrowings. At 30 June 2016 the fair value of fixed rate borrowings was £1,043.5m (30 June 2015: £917.0m, 31 December 2015: £976.1m) compared to a book value of £902.6m (30 June 2015: £818.7m, 31 December 2015: £873.5m).

13. Business combinations and divestments

In the Group consolidated financial statements for the year to 31 December 2014, the fair values of assets and liabilities recognised on acquisition of the Aeroflex businesses were marked as provisional. In the full year results presented in the 2015 Annual Report and Accounts, further adjustments were made and these were treated as a prior year adjustment. The June 2015 Balance Sheet therefore has been restated in this Interim Report, increasing intangible assets by £6.1m, inventory by £0.4m, trade and other payables by £1.6m, provisions by £10.9m, and reducing deferred tax liabilities by £6.0m.

On 15 January 2016 the divestment of the Surveillance businesses was announced. As at 31 December 2015 these businesses were treated as held for sale.

The loss on this divestment has been excluded from underlying earnings as disclosed in note 2 and analysed below:

£m	
Gross consideration	**6.6**
Net assets at date of divestment	**(3.1)**
Expenses of sale	**(3.6)**
Foreign exchange adjustments	**(2.1)**
Net loss on divestment before tax	**(2.2)**
Tax charge on net loss on divestment	**-**
Net loss on divestment after tax	**(2.2)**

In addition, the Group recognised a net gain of £2.8m in the period relating to divestments in prior periods, excluded from underlying profit.

The net cash impact of divestments, in the period, is as follows:

£m	
Cash consideration	**6.6**
Expenses of sale	**(3.1)**
Net cash impact from divestment in current period	**3.5**
Net cash relating to divestments completed in prior periods	**(3.3)**
	0.2

The net assets divested were as follows:

£m	**At date of divestment**	As at 31.12.15
Inventories	**3.9**	3.9
Trade and other receivables	**12.9**	12.9
Trade and other payables	**(12.5)**	(11.5)
Provisions	**(1.2)**	(1.2)
Net assets	**3.1**	4.1

During the period a business has been identified for divestment which is being actively marketed and is expected to be disposed of within 12 months of the balance sheet date. As a consequence its assets and liabilities have been classified as a disposal group held for sale. Non-current assets and disposal groups held for sale at 30 June 2015 and 31 December 2015 included the Composites and Surveillance businesses respectively which have subsequently been divested. Assets and liabilities classified as held for sale are measured on a non-recurring basis and are as follows:

£m	**As at 30.6.16**	As at 30.6.15	As at 31.12.15
Intangible assets	**1.7**	13.5	-
Property, plant and equipment	**0.8**	12.5	-
Inventories	**2.4**	14.4	3.9
Trade and other receivables	**3.6**	10.1	12.9
Total assets classified as held for sale	**8.5**	50.5	16.8
Trade and other payables	**(4.0)**	(10.1)	(11.5)
Tax and other liabilities	**-**	(1.6)	(1.2)
Total liabilities associated with assets classified as held for sale	**(4.0)**	(11.7)	(12.7)
Total net assets of disposal groups and non-current assets held for sale	**4.5**	38.8	4.1

14. Contingent and other liabilities

The Company and various of its subsidiaries are, from time to time, parties to various legal proceedings and claims. 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 previously notified, the Group identified one, more significant, contractual breach dating back some years, 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, 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 final costs of technical solutions, the outcome of negotiations with customers and the amounts recoverable under these contracts. Where appropriate, 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 incurred in excess of original baselines.

15. 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 material related party transactions 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 32 to 37 of the 2015 Annual Report and Accounts remain valid and relate to:
1. Deterioration in the macroeconomic environment adversely impacting our markets;
2. Failure to execute strategy, to deliver performance in line with financial plans supported by effective value creating M&A activity;
3. Failure to comply with laws and regulations;
4. Failure to derive targeted benefits from organisational design within an effective governance framework, with appropriate skills and talented employees recruited and retained;
5. Contract risk and effective project and programme execution;
6. Failure to deliver shareholder value from the Aeroflex acquisition;
7. Significant business interruption risk;
8. Failure to successfully execute continuous improvement programmes, including the implementation of standard IT services and security, across the portfolio; and
9. Deterioration in trading performance or in cash generation leading to higher debt and increased gearing.

The Group's risk environment is considered to have increased slightly during the period, reflecting certain contract execution risks and increased market headwinds. As referenced in the rights issue prospectus dated 1 June 2016, given that a significant portion of the Group's assets are represented by goodwill and other intangible assets, changes in circumstances or underlying performance assumptions could have a negative impact on carrying values of Cash Generating Units with limited headroom resulting in an impairment of these assets which would adversely affect the Group's financial performance.

The result of the referendum held on 23 June 2016, that the United Kingdom will exit the European Union, creates additional risks for the Group. The potential risk areas include:

- Volatility in the sterling exchange rate against other currencies in which the Group operates, creating uncertainty in the translation of profits and debt denominated in currencies other than sterling;
- Changes in arrangements for access to world markets due to the need for renewal of trade agreements, both within and outside the European Union, resulting in the potential imposition of tariffs or other barriers to trade with customers and suppliers;
- Changes in the regulatory framework applicable to the Group in the United Kingdom, which is currently derived from European Union directives and regulations;
- Restrictions in access to labour markets as a result of reduced mobility of people between countries, potentially impacting access to critical capabilities and know-how;
- Restrictions in access to capital markets in countries other than the United Kingdom.

Whilst the potential direct and indirect impacts of the exit vote remain uncertain, any of these potential risks could result in reduced income, higher debt and higher operating costs and could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

The Group's risk management process is detailed on page 32 of the 2015 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 pages 42 and 43 of the 2015 Annual Report and Accounts. Since the year end, Mark Ronald stepped down as Non-executive Director on 29 April 2016.

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

3 August 2016

Independent review report to Cobham plc

Report on the Interim Results

Our conclusion

We have reviewed Cobham plc's interim financial information (the Interim Financial Statements) in the Interim Results for the half year ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The Interim Financial Statements comprise:

- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the half year ended 30 June 2016;
- the Consolidated Balance Sheet as at 30 June 2016;
- the Consolidated Statement of Changes in Equity for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended; and
- the Notes to the Interim Financial Statements.

The Interim Financial Statements included in the Interim Results for the half year ended 30 June 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the Interim Financial Statements, 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.

Responsibilities for the Interim Financial Statements and the review

Our responsibilities and those of the Directors

The Interim Results for the half year, including the Interim Financial Statements, are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Results for the half year in accordance with the Disclosure Rules 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 Statements in the Interim Results for the half year 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 Rules and Transparency Rules of the United Kingdom's 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.

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 2016 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 August 2016

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-