

THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

Subject to the restrictions set out below, if you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 a.m. on 2 June 2016 (the **Ex-Rights Date**) please send this Prospectus (the **Prospectus**) together with, if applicable, the accompanying Provisional Allotment Letter, if and when received, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. **However, such documents should not be forwarded or transmitted in or into the United States or any other Excluded Territory.** If you have sold or transferred part of your holding of Existing Ordinary Shares (other than ex-rights) you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected. If you sell or transfer or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear, which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

Cobham plc and the Directors, whose names appear on page 31 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of Cobham plc and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect the import of such information.

COBHAM

COBHAM PLC

(Incorporated and registered in England and Wales with registered number 30470)

1 for 2 Rights Issue of 569,287,950 New Ordinary Shares at 89 pence per New Ordinary Share

Sole Sponsor, Joint Bookrunner and Joint Underwriter

Jefferies

Joint Bookrunner and Joint Underwriter

BofA Merrill Lynch

Your attention is drawn to the letter from the Chairman of Cobham plc which is set out in Part VII: “*Letter from the Chairman of the Company*” of this Prospectus. You should read the whole of this Prospectus and any documents incorporated by reference prior to making any investment decision. Your attention is drawn to Part II: “*Risk Factors*” of this Prospectus for a discussion of certain factors which should be taken into account when considering the matters referred to in this Prospectus.

This Prospectus comprises a prospectus relating to the Rights Issue prepared in accordance with the Prospectus Rules of the FCA under Section 73A of FSMA and has been approved by the FCA in accordance with Section 85 of FSMA. A copy of this Prospectus has been filed with the FCA and has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities. Applications have been made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List maintained by the UK Listing Authority and to the London Stock Exchange for such New Ordinary Shares to be admitted to trading on its main market for listed securities (together, **Admission**). It is expected that Admission will become effective, and that dealings in the New Ordinary Shares, nil paid, will commence, at 8.00 a.m. on 2 June 2016.

The distribution of this Prospectus and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares through CREST or otherwise into a jurisdiction other than the United Kingdom may be restricted by law and, accordingly, persons into whose possession this Prospectus and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. In particular, subject to certain exceptions, the documents should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory.

Jefferies International Limited (**Jefferies** or the **Sponsor**) is authorised and regulated by the Financial Conduct Authority (the **FCA**) in the United Kingdom, and Merrill Lynch International (**BofA Merrill Lynch**, and together with Jefferies, the **Joint Bookrunners** and the **Joint Underwriters**) is authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the PRA and the FCA in the United Kingdom. The Joint Underwriters are acting exclusively for Cobham plc and no one else in connection with the Rights Issue, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Rights Issue and will not be responsible to anyone other than Cobham plc for providing the protections afforded to their respective clients, or for providing advice, in relation to the Rights Issue or any other transaction, arrangement or matter referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on Jefferies and BofA Merrill Lynch by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Jefferies, BofA Merrill Lynch, nor any of their respective affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to, the contents of this Prospectus, including its accuracy or completeness or for any other statement made or purported to be made by it, or on behalf of it, the Company, the Directors or any other person, in connection with the Company or the Rights Issue, and nothing in this Prospectus should be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of Jefferies, BofA Merrill Lynch and their respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on BofA Merrill Lynch or Jefferies or any person affiliated with BofA Merrill Lynch or Jefferies in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, BofA Merrill Lynch or Jefferies.

It is expected that Qualifying CREST Shareholders (subject to certain exceptions) will receive a credit note to the appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 2 June 2016. The Nil Paid Rights so credited in CREST are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. Qualifying CREST Shareholders should refer to their CREST Sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue. The Joint Bookrunners, and any of their respective affiliates, may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account otherwise than in connection with the Rights Issue. Accordingly, references in this Prospectus to Nil Paid Rights, Fully Paid Rights and New Ordinary Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully

Paid Rights and New Ordinary Shares to any of the Joint Bookrunners or any of their respective affiliates acting in such capacity. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. Except as required by applicable law or regulation, the Joint Bookrunners do not propose to make any public disclosure in relation to such transactions.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferrable, except in accordance with, and the distribution of this Prospectus is subject to, the restrictions set out in paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus. No action has been taken by the Company, the Sponsor or the Joint Bookrunners that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this Prospectus or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required.

The latest time and date for acceptance of, and payment in full for, New Ordinary Shares is expected to be 11.00 a.m. on 16 June 2016. The procedure for acceptance and payment is set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and, for Qualifying Non-CREST Shareholders only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 5 of Part IX: “*Terms and Conditions of the Rights Issue*”.

Qualifying CREST Shareholders should note that they will receive no further written communication from Cobham plc in respect of the Rights Issue. They should accordingly retain this Prospectus for, among other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Copies of this Prospectus are available free of charge from Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ, United Kingdom.

Notice to Overseas Shareholders

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. This Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to certain very limited exceptions, neither this Prospectus nor the accompanying documents will be distributed in or into any Excluded Territory, including the United States, and neither this Prospectus, the Provisional Allotment Letters nor the accompanying documents constitute a public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in (as applicable), any Excluded Territory.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or under any securities laws of any state or other jurisdiction of the United States. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States or any of the Excluded Territories.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC),

any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Joint Bookrunners may arrange for the offer of the New Ordinary Shares in the United States to persons reasonably believed to be “qualified institutional buyers”, as defined in Rule 144A under the Securities Act (**QIBs**), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act. The New Ordinary Shares are being offered outside the United States in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

Any reproduction or distribution of this Prospectus in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited, except to the extent such information is available publicly. By accepting delivery of this Prospectus, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Ordinary Shares agrees to the foregoing.

The attention of Overseas Shareholders and any person (including, without limitation, nominees, custodians or trustees) who has a contractual or legal obligation to forward this Prospectus and the accompanying documents to a jurisdiction outside the United Kingdom is drawn to paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

No action has been taken by the Company or by the Joint Bookrunners that would permit an offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares or possession or distribution of this Prospectus, the Provisional Allotment Letters or any other offering or publicity material relating to the Rights Issue in any jurisdiction where action for that purpose is required, other than the United Kingdom. None of the Company, Jefferies, BofA Merrill Lynch or any of their respective affiliates, directors, officers, employees or advisers is making any representation to any offeree, purchaser or acquirer of Provisional Allotment Letters, Nil Paid Rights, Fully Paid Rights or New Ordinary Shares regarding the legality of an investment in the Rights Issue by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial or tax adviser.

SUBJECT TO CERTAIN VERY LIMITED EXCEPTIONS, THE RIGHTS ISSUE DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO INVESTORS WHO ARE IN THE UNITED STATES OR ANY EXCLUDED TERRITORY AND NO DOCUMENT ISSUED BY THE COMPANY IN CONNECTION WITH THE RIGHTS ISSUE IS OR CONSTITUTES AN INVITATION OR OFFER OF SECURITIES FOR SUBSCRIPTION, SALE OR PURCHASE TO ANY PERSON WITH A REGISTERED ADDRESS, OR WHO IS RESIDENT OR LOCATED, IN THE UNITED STATES OR ANY OTHER EXCLUDED TERRITORY.

This Prospectus is dated 1 June 2016.

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PART I

SUMMARY INFORMATION

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not applicable.”

Section A – Introduction and warnings		
A.1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the New Ordinary Shares should be based on consideration of the Prospectus as a whole by the prospective investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable; the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.

Section B – Issuer		
B.1	Legal and commercial name of the issuer	Cobham plc (the Company).
B.2	Domicile / Legal Form / Legislation / Country of incorporation	The Company is a public limited company, incorporated in England and Wales with registered number 30470 and having its registered office in England. The Company operates under the Companies Act.
B.3	Current operations / Principal activities and markets	<p>The Group is an international technology and services business, with customers and partners in over 100 countries. The Group offers a range of technologies and services to solve challenging problems across commercial, defence and security markets. It has strong market positions in air-to-air refuelling; aviation services; wireless; audio, video and data communications, including satellite communications; defence electronics; life support and mission equipment. The Group operates in four sectors:</p> <ul style="list-style-type: none">• <i>Communications and Connectivity</i> – providing aircraft and in-building communication equipment, satellite communication equipment for land, sea, and air applications and test and measurement instrumentation for radio frequency, cellular communications and wireless networking;

		<ul style="list-style-type: none"> • <i>Mission Systems</i> – providing safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting 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, including weapon carriage and release systems and missile control actuation sub-systems; • <i>Advanced Electronic Solutions</i> – providing critical solutions for communication 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; and • <i>Aviation Services</i> – delivering outsourced aviation services for military and commercial customers worldwide, including military training, special mission flight operations, outsourced commercial aviation, fly-in fly-out services to the natural resources industry and aircraft engineering services. <p>The Group operates out of manufacturing locations in the United States, the United Kingdom and continental Europe, as well as satellite locations and sales offices across the world that provide a presence in faster-growth markets. In addition, the Group’s Aviation Services Sector operates from airport bases in Australia, the UK and elsewhere in the world.</p>
B.4	<p>Significant recent trends affecting the Group and the industry in which it operates</p>	<p>The Group has recently encountered headwinds in some of its commercial markets, primarily as a result of slowing growth in Asia-Pacific and the impact of the reduction in the price of oil and gas. As a result, the Group has continued to experience weak trading in certain of its short cycle commercial markets, including the marine SATCOM and Wireless businesses, with subdued market conditions being driven primarily by reduced underlying demand in Asia-Pacific, weakness in global oil and gas markets and reduced levels of research and development expenditure by prospective customers in wireless test markets, which have impacted the results of operations in the Communications and Connectivity Sector. The Group has also experienced weaker than anticipated trading in its commercial fly-in fly-out business, with certain natural resources customers in Australia slowing down their operational activities, which has resulted in reduced flying activity in this market, and increased competition which has impacted the results of operations in the Aviation Services Sector and deferred revenue in a small number of development programmes in the Advanced Electronic Solutions Sector. The Group has a contract with the UK Ministry of Defence to provide helicopter pilot training and other services together with associated helicopter maintenance and modification, until April 2018. Airbus Helicopters UK Ltd. has recently been selected as the aircraft service provider in support of the follow-on contract, which is expected to commence in April 2018. Annual revenue from the Group’s existing activities under the contract was approximately 2 per cent. of the Group’s total revenue for 2015.</p>
B.5	<p>Description of Issuer’s group</p>	<p>The Company is the holding company for the Group. The Group is an international technology and services business with customers and partners in over 100 countries. The Group offers a range of technologies and services to solve challenging problems across commercial, defence and security markets.</p>

B.6	<p>Notifiable interest in the Existing Ordinary Shares, different voting rights, controlling interests</p>	<p>As at 30 May 2016, in so far as it is known to the Company by virtue of the notifications made pursuant to the Companies Act and/or Chapter 5 of the Disclosure and Transparency Rules, the name of each person, other than a Director, who, directly or indirectly, is interested in voting rights representing 3 per cent. or more of the total voting rights in respect of the Company’s issued ordinary share capital, and the amount of such person’s holding, is as follows:</p> <table border="1" data-bbox="598 380 1396 627"> <thead> <tr> <th data-bbox="598 380 1085 436"><u>Name</u></th> <th data-bbox="1085 380 1244 436"><u>Number of Ordinary Shares</u></th> <th data-bbox="1244 380 1396 436"><u>Percentage of Ordinary Shares</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="598 436 1085 470">BlackRock, Inc.</td> <td data-bbox="1085 436 1244 470">58,105,999</td> <td data-bbox="1244 436 1396 470">5.10</td> </tr> <tr> <td data-bbox="598 470 1085 504">Newton Investment Management Ltd</td> <td data-bbox="1085 470 1244 504">57,947,756</td> <td data-bbox="1244 470 1396 504">5.09</td> </tr> <tr> <td data-bbox="598 504 1085 537">Artemis Investment Management LLP</td> <td data-bbox="1085 504 1244 537">57,876,282</td> <td data-bbox="1244 504 1396 537">5.08</td> </tr> <tr> <td data-bbox="598 537 1085 571">Threadneedle Asset Management Limited</td> <td data-bbox="1085 537 1244 571">57,508,406</td> <td data-bbox="1244 537 1396 571">5.05</td> </tr> <tr> <td data-bbox="598 571 1085 604">The Capital Group Companies, Inc.</td> <td data-bbox="1085 571 1244 604">35,006,700</td> <td data-bbox="1244 571 1396 604">3.07</td> </tr> <tr> <td data-bbox="598 604 1085 638">Royal London Asset Management Limited</td> <td data-bbox="1085 604 1244 638">34,308,326</td> <td data-bbox="1244 604 1396 638">3.01</td> </tr> </tbody> </table> <p data-bbox="598 638 1396 795">Save as disclosed in this section, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) by persons which will represent 3 per cent. or more of the total voting rights in respect of the issued ordinary share capital of Cobham following Admission.</p> <p data-bbox="598 795 1396 869">All Ordinary Shares (other than treasury shares) have the same voting rights.</p>	<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Ordinary Shares</u>	BlackRock, Inc.	58,105,999	5.10	Newton Investment Management Ltd	57,947,756	5.09	Artemis Investment Management LLP	57,876,282	5.08	Threadneedle Asset Management Limited	57,508,406	5.05	The Capital Group Companies, Inc.	35,006,700	3.07	Royal London Asset Management Limited	34,308,326	3.01
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B.7

Selected historical key financial information

The tables below summarise certain key financial information relating to the Group for the periods indicated. The consolidated financial information of the Group for the years ended: (i) 31 December 2015 has been extracted without material adjustment from the consolidated financial statements included in the 2015 Annual Report and Accounts; (ii) 31 December 2014 has been extracted from the consolidated financial statements included in the 2015 Annual Report and Accounts; and (iii) 31 December 2013 has been extracted from the consolidated financial statements included in the 2014 Annual Report and Accounts. The financial information has been prepared in accordance with IFRS as adopted by the European Union. This consolidated financial information has been incorporated by reference in this Prospectus. See Part VI: “*Information Incorporated by Reference*” of this Prospectus. The consolidated financial information of the Group for each of the three months to 3 April 2015 and 1 April 2016 has been extracted without material adjustment from the consolidated financial statements set out in Part XV: “*Historical Financial Information relating to the Cobham Group*”. The information for the periods ended 1 April 2016 and 3 April 2015 is unaudited and has not been reviewed for the purposes of inclusion in this Prospectus.

Consolidated income statement

	Three months to		Year ended 31 December		
	1 April 2016	3 April 2015	2015	2014	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(€ in millions)				
Revenue	408.7	495.0	2,072.0	1,851.7	1,789.7
Cost of sales	(304.5)	(351.4)	(1,408.2)	(1,290.1)	(1,220.9)
Gross profit	104.2	143.6	663.8	561.6	568.8
Selling and distribution costs ...	(34.5)	(36.6)	(130.1)	(100.3)	(84.7)
Administrative expenses	(105.1)	(134.4)	(521.7)	(403.7)	(328.4)
Share of post-tax results of joint ventures and associates	—	—	—	—	3.1
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Finance income	0.9	1.4	5.2	6.4	5.3
Finance costs	(14.7)	(16.3)	(57.0)	(39.7)	(37.5)
(Loss)/profit before taxation ..	(49.2)	(42.3)	(39.8)	24.3	126.6
Taxation	3.4	3.0	2.1	4.7	(12.1)
(Loss)/profit after taxation for the period	(45.8)	(39.3)	(37.7)	29.0	114.5
Attributable to:					
Owners of the parent	(45.9)	(39.3)	(37.8)	28.8	114.3
Non-controlling interests	0.1	—	0.1	0.2	0.2
	(45.8)	(39.3)	(37.7)	29.0	114.5
Earnings per ordinary share					
Basic	(4.08)p	(3.47)p	(3.35)p	2.60p	10.70p
Diluted	(4.08)p	(3.47)p	(3.35)p	2.58p	10.65p
Trading profit is calculated as follows:					
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Adjusted to exclude:					
Business restructuring	0.3	13.4	67.5	52.2	56.1
Derivative financial instruments	5.3	14.8	18.8	21.8	(2.2)
Amortisation of intangible assets arising on business combinations	42.1	40.3	176.8	113.6	103.9
Impairment of goodwill	—	—	26.6	—	63.0
Revaluation gain arising on equity interests in FBH	—	—	—	—	(62.1)
Exceptional legal costs	—	—	—	0.8	—
Other business acquisition and divestment related items	3.1	9.3	30.5	40.7	0.1
Trading profit	15.4	50.4	332.2	286.7	317.6
Underlying EPS	0.10p	2.46p	19.48p	18.48p	21.60p

Consolidated statement of comprehensive income					
	<u>Three months to</u>		<u>Year ended 31 December</u>		
	<u>1 April 2016</u>	<u>3 April 2015</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(£ in millions)				
(Loss)/profit after taxation for the period	(45.8)	(39.3)	(37.7)	29.0	114.5
Items that will not be reclassified subsequently to profit or loss					
Re-measurements of defined benefit retirement benefit obligations	1.6	3.5	29.6	(27.7)	(25.6)
Actuarial loss on other retirement benefit obligations	—	—	—	(0.7)	—
Tax effects	<u>(0.3)</u>	<u>(0.7)</u>	<u>(5.9)</u>	<u>5.0</u>	<u>4.1</u>
	1.3	2.8	23.7	(23.4)	(21.5)
Items that may subsequently be reclassified to profit or loss					
Net translation differences on investments in overseas subsidiaries	17.6	(21.7)	(38.2)	(18.7)	(11.1)
Reclassification of cash flow hedge fair values	—	0.3	1.1	1.3	4.5
Hedge accounted derivative financial instruments	(0.8)	(0.4)	—	1.6	0.6
Tax effects	<u>—</u>	<u>0.1</u>	<u>(0.2)</u>	<u>(0.9)</u>	<u>(1.2)</u>
	16.8	(21.7)	(37.3)	(16.7)	(7.2)
Other comprehensive income/(expense) for the period	18.1	(18.9)	(13.6)	(40.1)	(28.7)
Total comprehensive (expense)/income for the period	(27.7)	(58.2)	(51.3)	(11.1)	85.8
Attributable to:					
Owners of the parent	(27.8)	(58.2)	(51.4)	(11.3)	85.6
Non-controlling interests	<u>0.1</u>	<u>—</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>
	(27.7)	(58.2)	(51.3)	(11.1)	85.8

Consolidated balance sheet

£m	As at		As at 31 December		
	1 April 2016	3 April 2015	2015	2014 (restated)	2013 (restated)
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Assets					
Non-current assets					
Intangible assets	1,740.8	2,041.7	1,729.5	2,040.8	1,162.2
Property, plant and equipment	391.0	398.8	379.9	390.0	350.8
Investment properties	4.3	10.6	4.3	10.4	9.9
Investments in joint ventures and associates	3.3	3.0	3.0	3.1	3.1
Trade and other receivables	67.0	73.1	71.3	51.1	22.2
Other financial assets	6.1	6.1	6.1	6.1	6.1
Deferred tax	11.0	9.2	11.4	10.5	9.9
Derivative financial instruments	10.6	4.5	6.5	7.6	5.1
	2,234.1	2,547.0	2,212.0	2,519.6	1,569.3
Current assets					
Inventories	443.3	462.7	410.4	429.5	315.9
Trade and other receivables	339.4	393.2	366.0	435.3	317.7
Current tax receivables	6.2	0.6	8.6	0.4	0.8
Derivative financial instruments	2.8	2.5	9.1	8.7	6.6
Cash and cash equivalents	150.3	184.6	294.7	225.6	200.7
Assets classified as held for sale	—	2.2	16.8	2.1	8.2
	942.0	1,045.8	1,105.6	1,101.6	849.9
Liabilities					
Current liabilities					
Borrowings	(95.1)	(54.8)	(156.4)	(1.5)	(48.1)
Trade and other payables	(344.3)	(425.5)	(398.1)	(505.5)	(370.3)
Provisions	(92.3)	(72.1)	(74.3)	(60.5)	(34.4)
Current tax liabilities	(124.4)	(121.1)	(125.1)	(119.2)	(112.2)
Derivative financial instruments	(24.9)	(16.4)	(30.6)	(20.7)	(4.6)
Liabilities associated with assets classified as held for sale	—	—	(12.7)	—	(5.2)
	(681.0)	(689.9)	(797.2)	(707.4)	(574.8)
Non-current liabilities					
Borrowings	(1,369.6)	(1,492.4)	(1,345.1)	(1,446.8)	(606.0)
Trade and other payables	(37.0)	(42.7)	(24.8)	(36.2)	(38.0)
Provisions	(41.4)	(65.0)	(68.2)	(66.5)	(8.6)
Deferred tax	(93.2)	(127.3)	(102.0)	(134.5)	(52.9)
Derivative financial instruments	(19.9)	(25.3)	(13.9)	(15.5)	(7.4)
Retirement benefit obligations	(51.5)	(95.2)	(56.7)	(102.0)	(87.3)
	(1,612.6)	(1,847.9)	(1,610.7)	(1,801.5)	(800.2)
Net assets	882.5	1,055.0	909.7	1,112.3	1,044.2
Equity					
Share capital	30.4	30.4	30.4	30.4	28.9
Share premium	301.9	301.9	301.9	301.9	126.6
Other reserves	15.5	21.6	(0.3)	42.7	55.2
Retained earnings	533.7	700.2	576.8	736.4	832.7
Total equity attributable to the owners of the parent	881.5	1,054.1	908.8	1,111.4	1,043.4
Non-controlling interests in equity	1.0	0.9	0.9	0.9	0.8
Total equity	882.5	1,055.0	909.7	1,112.3	1,044.2
Net debt	(1,314.4)	(1,362.6)	(1,206.8)	(1,222.7)	(453.4)

Consolidated Statement of Changes in Equity

£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 2013	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4
Profit for the year	—	—	—	114.3	114.3	0.2	114.5
Items that will not be reclassified subsequently to profit or loss	—	—	—	(21.5)	(21.5)	—	(21.5)
Items that may subsequently be reclassified to profit or loss	—	—	(7.2)	—	(7.2)	—	(7.2)
Total comprehensive (expense)/income for the year (audited)	—	—	(7.2)	92.8	85.6	0.2	85.8
Net purchase of treasury shares	—	—	—	(1.8)	(1.8)	—	(1.8)
Dividends	—	—	—	(96.6)	(96.6)	—	(96.6)
Share based payments	—	—	(1.7)	—	(1.7)	—	(1.7)
Release of hedge reserve	—	—	1.5	—	1.5	—	1.5
Transfer of other reserves to retained earnings	—	—	(4.2)	4.2	—	—	—
Tax effects	—	—	2.6	—	2.6	—	2.6
Total equity at 31 December 2013 (audited)	28.9	126.6	55.2	832.7	1,043.4	0.8	1,044.2
Profit for the year	—	—	—	28.8	28.8	0.2	29.0
Items that will not be reclassified subsequently to profit or loss	—	—	—	(23.4)	(23.4)	—	(23.4)
Items that may subsequently be reclassified to profit or loss	—	—	(16.7)	—	(16.7)	—	(16.7)
Total comprehensive (expense)/income for the year (audited)	—	—	(16.7)	5.4	(11.3)	0.2	(11.1)
Issue of shares	1.5	175.3	—	—	176.8	—	176.8
Net proceeds from treasury shares	—	—	—	3.3	3.3	—	3.3
Dividends	—	—	—	(108.3)	(108.3)	—	(108.3)
Share based payments	—	—	6.1	—	6.1	—	6.1
Transfer of other reserves to retained earnings	—	—	(3.3)	3.3	—	—	—
Tax effects	—	—	1.5	—	1.5	—	1.5
Foreign exchange adjustments	—	—	(0.1)	—	(0.1)	(0.1)	(0.2)
Total equity at 31 December 2014 (audited)	30.4	301.9	42.7	736.4	1,111.4	0.9	1,112.3
(Loss)/profit 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

<u>£m</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Items that may subsequently be reclassified to profit or loss . . .	—	—	(37.3)	—	(37.3)	—	(37.3)
Total comprehensive (expense)/ income for the year (audited)	—	—	(37.3)	(14.1)	(51.4)	0.1	(51.3)
Net purchase of treasury shares	—	—	—	(24.9)	(24.9)	—	(24.9)
Dividends	—	—	—	(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 (audited)	30.4	301.9	(0.3)	576.8	908.8	0.9	909.7
(Loss)/profit for the period	—	—	—	(45.9)	(45.9)	0.1	(45.8)
Items that will not be reclassified subsequently to profit or loss . . .	—	—	—	1.3	1.3	—	1.3
Items that may subsequently be reclassified to profit or loss . . .	—	—	16.8	—	16.8	—	16.8
Total comprehensive income/ (expense) for the period (unaudited)	—	—	16.8	(44.6)	(27.8)	0.1	(27.7)
Net purchase of treasury shares	—	—	—	1.5	1.5	—	1.5
Share based payments	—	—	0.8	—	0.8	—	0.8
Tax effects	—	—	(1.8)	—	(1.8)	—	(1.8)
Total equity at 1 April 2016 (unaudited)	30.4	301.9	15.5	533.7	881.5	1.0	882.5

	Consolidated Cash Flow Statement				
	Three months to		Year ended 31 December		
	1 April	3 April	2015	2014	2013
	2016	2015	(audited)	(audited)	(audited)
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(£ in millions)				
Operating (loss)/profit . . .	(35.4)	(27.4)	12.0	57.6	158.8
Non-cash items:					
Share of post-tax profits of joint ventures and associates	—	—	(0.2)	(0.2)	(3.1)
Revaluation gain arising on equity interests in FBH	—	—	—	—	(62.1)
Depreciation and amortisation	59.5	61.3	254.4	190.8	235.1
Impairment of goodwill . . .	—	—	26.6	—	—
Loss/(Profit) on sale of property, plant and equipment	3.8	—	(1.4)	(0.3)	(1.1)
Business acquisition and divestment related items	3.1	8.6	27.3	23.8	(1.6)
Derivative financial instruments	5.3	14.8	18.8	21.8	(2.2)
Pension contributions in excess of pension charges	(4.0)	(4.1)	(17.8)	(16.9)	(14.5)
Share based payments	0.8	2.0	(3.0)	6.1	(1.7)
Operating cash movements:					
Increase in inventories	(19.5)	(29.1)	(34.6)	(11.9)	(0.3)
Decrease/(increase) in trade and other receivables . . .	47.4	29.0	19.1	(68.3)	(26.2)
(Decrease)/increase in trade and other payables	(62.8)	(30.1)	(38.6)	17.3	(0.3)
(Decrease)/increase in provisions	(13.5)	3.6	7.4	12.9	(3.9)
Tax paid	(3.7)	(9.7)	(31.5)	(37.0)	(37.6)
Interest paid	(9.6)	(11.0)	(53.0)	(31.5)	(33.7)
Interest received	0.6	1.2	3.6	3.7	5.0
Net cash (used in)/from operating activities	(28.0)	9.1	189.1	167.9	210.6
Cash flows from investing activities					
Dividends received from joint ventures	—	—	—	—	3.7
Purchase of property, plant and equipment	(21.8)	(25.0)	(97.8)	(63.7)	(58.0)
Purchase of intangible assets	—	(5.8)	(18.6)	(12.4)	(11.7)
Proceeds on disposal of property, plant and equipment	2.7	0.1	17.7	2.3	8.0
Investment in other financial assets	—	—	—	—	(6.1)
Loans repaid by joint ventures	—	—	—	—	2.1
Investment in loan notes . .	—	—	—	(9.0)	(18.3)
Acquisition of subsidiaries net of cash or debt acquired	—	(52.5)	(52.6)	(846.1)	(126.0)
Contingent consideration paid	—	—	—	(28.5)	(2.5)
Proceeds of business divestments	1.8	0.9	205.2	6.6	0.5
Net cash (used in)/from investing activities	(17.3)	(82.3)	53.9	(950.8)	(208.3)

	Three months to		Year ended 31 December		
	1 April 2016	3 April 2015	2015	2014	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	(£ in millions)				
Cash flows from financing activities					
Issue of share capital	—	—	—	176.8	—
Dividends paid	—	—	(122.1)	(108.3)	(96.6)
Purchase of treasury shares	—	(3.3)	(29.3)	(5.5)	(15.3)
Proceeds on allocation of treasury shares	1.6	3.6	4.4	8.8	13.5
New borrowings	—	47.0	257.9	1,467.5	67.0
Repayment of borrowings	(103.6)	(7.1)	(271.0)	(699.9)	(7.7)
Net cash (used in)/from financing activities	(102.0)	40.2	(160.1)	839.4	(39.1)
Net (decrease)/increase in cash and cash equivalents					
Exchange movements	(147.3)	(33.0)	82.9	56.5	(36.8)
Cash and cash equivalents at start of year	294.0	224.3	224.3	199.0	250.2
Cash and cash equivalents at end of period	150.2	184.6	294.0	224.3	199.0

Certain significant changes to the Group's financial condition and results of operations occurred during the years ended 31 December 2013, 2014 and 2015 and the three months ended 1 April 2016 and 3 April 2015. These changes are set out below.

During the period under review, revenue increased by 3 per cent. from £1,790 million in the year ended 31 December 2013 to £1,852 million in 2014, driven primarily by an initial contribution from Aeroflex and the full year contributions from Axell Wireless and FB Heliservices Ltd., both of which were acquired in 2013. Revenue increased by 12 per cent. to £2,072 million in the year ended 31 December 2015, primarily as a result of the full year impact of the Aeroflex acquisition net of divestments which completed during the year. Trading profit increased by 16 per cent. to £332 million in the year ended 31 December 2015, as compared to £287 million in the year ended 31 December 2014, driven principally by the contribution of Aeroflex partially offset by the adverse impact of lower short cycle commercial volumes and an adverse revenue mix in the Advanced Electronic Solutions Sector. Trading profit decreased by 10 per cent. to £287 million during the year ended 31 December 2014, as compared to £318 million in the year ended 31 December 2013, primarily due to changes in product mix, aerial refuelling development programme performance and unfavourable foreign currency translation.

Revenue decreased by 17 per cent. to £409 million in the three months ended 1 April 2016, as compared to £495 million in the three months ended 3 April 2015, primarily as a result of the effect of divestments made after 3 April 2015 and a combination of the impact of increased headwinds in the commercial fly-in fly-out business in Australia and deferred revenue on a small number of development programmes in the Advanced Electronics Solutions Sector together with the impact of short-term operational issues in the Wireless business. Trading profit decreased by 69 per cent. to £15 million in the three months ended 1 April 2016, as compared to £50 million in the three months ended 3 April 2015, primarily as a result of lower revenue and a one-off charge of £9 million in the Wireless business during the period.

		<p>Save as described above, there has been no significant change in the Group's financial condition and operating results during the years ended 31 December 2013, 2014 and 2015 and the three months ended 1 April 2016.</p> <p>There has been no significant change in the financial condition and operating results of the Group since 1 April 2016, the date to which the latest unaudited consolidated financial statements of the Group were prepared.</p>																																																											
B.8	<p>Unaudited pro forma financial information</p>	<p>Selected key unaudited pro forma financial information is set out below. The unaudited pro forma net assets statement of the Group set out below has been prepared on a voluntary basis and for illustrative purposes only in accordance with Annex II to the Prospectus Rules and on the basis of the notes set out below to illustrate the impact of the Rights Issue on the net assets of the Group as at 1 April 2016 as if it had been completed on that date.</p> <p>The unaudited pro forma net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Cobham's actual financial position or results. The pro forma financial information has been prepared under IFRS and on the basis set out in the notes below and in accordance with Annex II to the PD Regulation. The pro forma financial information is stated on the basis of the accounting policies of Cobham.</p> <p>The unaudited pro forma financial information does not take into account the trading of the Group subsequent to the period end balance sheet date of 1 April 2016.</p> <p>Unaudited pro forma net assets statement</p> <p>Selected unaudited pro forma net assets statement</p> <table border="1" data-bbox="598 1142 1396 1624"> <thead> <tr> <th rowspan="2"></th> <th colspan="4" style="text-align: center;">Adjustments</th> </tr> <tr> <th style="text-align: center;">As at 1 April 2016⁽¹⁾ (unaudited)</th> <th style="text-align: center;">Rights Issue⁽²⁾</th> <th style="text-align: center;">Repayment of debt⁽³⁾</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="4" style="text-align: center;">£ Million</td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">2,234.1</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">2,234.1</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">942.0</td> <td style="text-align: right;">486.7</td> <td style="text-align: right;">(486.7)</td> <td style="text-align: right;">942.0</td> </tr> <tr> <td>Assets classified as held for sale</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">3,176.1</td> <td style="text-align: right;">486.7</td> <td style="text-align: right;">(486.7)</td> <td style="text-align: right;">3,176.1</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(681.0)</td> <td style="text-align: center;">—</td> <td style="text-align: right;">41.9</td> <td style="text-align: right;">(639.1)</td> </tr> <tr> <td>Liabilities associated with assets classified as held for sale</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> </tr> <tr> <td>Non-current liabilities</td> <td style="text-align: right;">(1,612.6)</td> <td style="text-align: center;">—</td> <td style="text-align: right;">424.8</td> <td style="text-align: right;">(1,187.8)</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">(2,293.6)</td> <td style="text-align: center;">—</td> <td style="text-align: right;">466.7</td> <td style="text-align: right;">(1,826.9)</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">882.5</td> <td style="text-align: right;">486.7</td> <td style="text-align: right;">(20.0)</td> <td style="text-align: right;">1,349.2</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> The net assets of the Group as at 1 April 2016 have been extracted without adjustment from the unaudited consolidated accounts, as set out in Part XV: "Historical Financial Information Relating to the Cobham Group" of this document. Adjustment to reflect the estimated net proceeds of the Rights Issue receivable by the Company of approximately £486.7 million (being gross proceeds of £506.7 million less estimated fees relating to the Rights Issue of approximately £20 million, excluding VAT). 		Adjustments				As at 1 April 2016 ⁽¹⁾ (unaudited)	Rights Issue ⁽²⁾	Repayment of debt ⁽³⁾	Total		£ Million				Non-current assets	2,234.1	—	—	2,234.1	Current assets	942.0	486.7	(486.7)	942.0	Assets classified as held for sale	—	—	—	—	Total assets	3,176.1	486.7	(486.7)	3,176.1	Current liabilities	(681.0)	—	41.9	(639.1)	Liabilities associated with assets classified as held for sale	—	—	—	—	Non-current liabilities	(1,612.6)	—	424.8	(1,187.8)	Total liabilities	(2,293.6)	—	466.7	(1,826.9)	Net assets	882.5	486.7	(20.0)	1,349.2
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		<p>3. Adjustments to reflect:</p> <p>(a) part utilisation of the net proceeds of the Rights Issue for the repayment of elements of the indebtedness; and</p> <p>(b) approximately £20 million in connection with the make-whole payments for the early repayment of debt.</p>
B.9	Profit forecast / estimate	Not applicable; there is no profit forecast or estimate in this Prospectus.
B.10	Audit report – qualifications	Not applicable; there are no qualifications in the auditor’s reports on the Historical Financial Information relating to the Cobham Group incorporated by reference in this Prospectus.
B.11	Insufficient working capital	Not applicable; the Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

Section C – Securities

C.1	Description of the Rights Issue	The Rights Issue comprises 569,287,950 New Ordinary Shares with a nominal value of 2.5 pence each and the ISIN GB00B07KD360. The ISIN for the Nil Paid Rights is GB00BZBVN521 and the ISIN for the Fully Paid Rights is GB00BZBVN745.
C.2	Currency of issue	Pounds sterling.
C.3	Issued share capital	As at the Latest Practicable Date, the Company has in issue 1,138,575,901 fully paid Ordinary Shares and 19,700 Preference Shares. 75,951,724 Ordinary Shares are held in treasury, representing 6.67 per cent. of the total ordinary share capital in issue. Treasury shares retain no voting rights.
C.4	Rights attaching to the securities	<p>The New Ordinary Shares will rank equally with the Existing Ordinary Shares for voting purposes. On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote per £1.00 in nominal value of Ordinary Shares held.</p> <p>Each New Ordinary Share ranks equally with each Existing Ordinary Share for any dividend declared. Each New Ordinary Share ranks equally with each Existing Ordinary Share for any distributions made on a winding up.</p> <p>Each New Ordinary Share ranks equally with each Existing Ordinary Share in the right to receive a relative proportion of shares in case of a capitalisation of reserves.</p>
C.5	Restrictions on transfer	The New Ordinary Shares and the Existing Ordinary Shares are freely transferable and there are no restrictions on transfer set out in the constitutional documents of the Company.
C.6	Admission to trading	<p>Applications have been made for the New Ordinary Shares (nil paid and fully paid) in the Company to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities.</p> <p>The London Stock Exchange’s main market is a regulated market. It is expected that admission to listing of the New Ordinary Shares, nil paid, and dealings in the New Ordinary Shares, nil paid, on the London Stock Exchange’s main market for listed securities will commence at 8.00 a.m. on 2 June 2016.</p>

C.7	Dividend policy	<p>Cobham's dividend policy is to pay a rebased total dividend in respect of 2016 which is equal in absolute quantum to the £126 million dividend announced for 2015. This quantum will be paid over the total share capital, as enlarged by the Rights Issue, with the additional shares first qualifying for the 2016 interim dividend to be paid on 4 November 2016.</p> <p>The Board believes that over time the Group's ability to convert a high proportion of its earnings into cash is unchanged and therefore it remains committed to its stated dividend policy, which is broadly to align future dividend increases with underlying earnings growth, while rebuilding cover over time.</p>
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Section D – Risks		
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D.1	Key information on the key risks that are specific to the issuer or its industry	<p>The Group's business, results of operations and financial condition could be materially affected by a decline in government defence and security budgets or changes in budgetary priorities, deterioration in the macroeconomic environment and cyclical nature of commercial defence end user markets. Changes in government spending, customer demand levels or other external factors could lead to programme terminations or delays, or changes in sector growth. Deterioration in demand affecting short cycle business (those businesses that typically fulfil their orders within three to six months of receipt) or a fundamental shift in underlying market demand or in how certain customers procure products or services has had and could continue to have an adverse effect on the Group's results, which in turn could lead to missed growth targets, reduced earnings and failure to win new business, resulting in adverse performance against the Group's strategic plan.</p> <p>The occurrence of risks associated with the products and services provided by the Group, including the failure to execute contracts profitably or at all, could have a material adverse effect on its business, financial position and future operations. Furthermore, the Group's order intake in any one period may not be a reliable indicator of the Group's future revenue, and the failure to realise revenue from its order book could have a material adverse effect on the business, results of operations and financial condition of the Group.</p> <p>The Group operates in highly competitive industries and any inability to successfully compete could result in loss of market share and a decline in revenue and profitability. There can be no assurance that the Group will be able to maintain its current market share with respect to any of its products. Delays in commencing or maintaining volume shipments of new products or services, the discovery of product, process, software or programming defects or failures and any related product returns could result in a loss of market share to competitors, which could have a material adverse effect on the business, results of operations and financial condition of the Group.</p> <p>The Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility or give rise to an event of default.</p> <p>The Group's international sales are subject to political, economic and other uncertainties, which could have a material adverse effect on the Group's business. Operating in international markets requires significant resources and management attention and subjects the Group to political, economic, legal and regulatory risks. In addition, failure to comply with laws, regulations and restrictions may result in fines or other sanctions being levied on the Group, and exclusion from future government contract programmes, which could adversely impact the Group's reputation, business and operations. Any failure by the Group, its sales</p>
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		<p>intermediaries, or others acting on its behalf to comply with these laws and regulations could result in significant fines, penalties, legal claims, suspension or debarment from future government contracts, as well as having an impact on the Group's reputation. The Group is subject to the UK Bribery Act 2010, the United States Foreign Corrupt Practices Act and other similar laws and may become subject to further such laws in the future, and its failure to comply with the laws and regulations thereunder could result in penalties which could harm its reputation and materially adversely affect the Group's business, financial condition, results of operations and prospects.</p> <p>The Group relies on third party manufacturers and key suppliers to conduct its operations. The Group outsources a portion of its manufacturing and engineering functions to third parties and this reliance on third party manufacturers and engineers involves significant risks, including lack of control over capacity allocation and quality resulting in disruption to delivery schedules.</p> <p>The Group is exposed to currency exchange rate fluctuations and the Group's sterling-denominated financial statements can be affected in particular by changes in the relative value of the U.S. dollar against sterling, due to the large percentage of the Group's revenue and profits that are generated and denominated in U.S. dollars and the percentage of the Group's net debt that is denominated in U.S. dollars.</p> <p>The Group may experience difficulties integrating acquired businesses or effecting disposals in a timely manner, and may not realise anticipated synergies or other benefits. Since completion of the Aeroflex acquisition in 2014, the Company has focused on integrating the Aeroflex business into the Group. Although the Company has realised certain synergy benefits ahead of its original plan, failure to deliver the planned synergies and growth from the Aeroflex acquisition could have a detrimental impact on the Group's financial performance and returns.</p> <p>A change in the tax rates, tax laws or practice by the relevant tax authority, the testing through litigation of the correct interpretation of any legislation, or any failure by the Group to manage tax risks adequately, may materially adversely affect the Group's reputation, financial condition and results of operations. Aggressive tax enforcement has become a higher priority for many tax authorities in jurisdiction in which the Group operates, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws and the Group may have disagreements with tax authorities which could result in a material restatement to the tax position.</p>
D.3	Key information on the key risks that are specific to the securities	<p>The Ordinary Shares are priced in pounds sterling and are quoted and traded in pounds sterling. In addition, any dividends the Company may pay will be declared and paid in pounds sterling. Accordingly, holders of the Ordinary Shares resident outside the UK are subject to risks arising from adverse movements in the value of their local currencies against the pound sterling.</p> <p>The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside the Company's control.</p> <p>Shareholders who do not take up the offer of New Ordinary Shares under the Rights Issue will experience a dilution in their ownership and voting rights in the Company.</p>

Section E – Rights Issue		
E.1	Net Proceeds / Expenses	<p>The net proceeds of the Rights Issue will be approximately £487 million, after estimated expenses of approximately £20 million.</p> <p>No expenses will be charged to subscribers of New Ordinary Shares in connection with the Admission or the Rights Issue by the Company.</p>
E.2	Reasons for the Rights Issue / Use of Proceeds	<p>Since 2014, a combination of the increase in net debt, constraints on cash generation and adverse factors impacting the Group’s level of EBITDA generation following the acquisition of Aeroflex as well as the slow start in first quarter trading means that, while the Group has significant headroom within its interest cover covenants in its financing documents, by 30 June 2016, the Group’s next lending covenant testing date, net debt to EBITDA could be around the covenant ratio of 3.5x. In light of this the Board is planning to reduce the Group’s indebtedness through the Rights Issue, which it believes to be in shareholders’ best interests.</p> <p>The Board considers that the Group’s target level of gearing should be below 2.0x net debt to EBITDA. The Rights Issue will reduce gearing towards this level.</p> <p>The Rights Issue is therefore being undertaken in order to lower the Group’s indebtedness and to reduce the ratio of net debt to EBITDA to allow management to focus on bringing the Group’s development programmes to production, and insulate the Group against short-term market headwinds, while continuing its focus on operational efficiency and working capital improvement.</p> <p>Of the expected approximately £487 million of net proceeds from the Rights Issue, the Group currently intends to redeem or repurchase U.S. Private Placement Notes and repay other borrowings totalling approximately £467 million, with the balance of the net proceeds to be used for make-whole premiums pursuant to the terms of the U.S. Private Placement Notes. However, the Board will continue to evaluate whether there are more financially advantageous ways to pay down debt.</p>
E.3	Terms and conditions of the Rights Issue	<p>The Company proposes to offer New Ordinary Shares pursuant to the Rights Issue to Qualifying Shareholders (other than, subject to certain very limited exceptions, shareholders with a registered address or which are resident or located in the United States or any of Australia, Canada, Dubai International Finance Centre, Guernsey, Isle of Man, Japan, Jersey, New Zealand, Singapore, Switzerland and South Africa and any other jurisdiction where the extension and availability of the Rights Issue (and any other transaction contemplated in relation to it) would breach any applicable laws or regulations (the Excluded Territories)).</p> <p>The Rights Issue Price of 89 pence per New Ordinary Share represents a 45.4 per cent. discount to the closing middle-market price of 163.0 pence per Ordinary Share and an approximately 35.7 per cent. discount to the theoretical ex-rights price of 138.3 pence per Ordinary Share, in each case on 31 May 2016, being the last Business Day before the date of this Prospectus. The Directors believe that it is necessary to offer the New Ordinary Shares at a discount to complete the Rights Issue to allow the Company to raise the required funding and accordingly believe that such discount is in the best interests of the Shareholders, and that the Rights Issue Price is appropriate for the Rights Issue.</p> <p>The Rights Issue will result in 569,287,950 New Ordinary Shares being issued (representing approximately 50.0 per cent. of the existing issued share capital of the Company and 33.3 per cent. of the enlarged issued share capital of the Company immediately following Admission of the New Ordinary Shares).</p>

		<p>The Rights Issue is fully underwritten by the Joint Bookrunners pursuant to the terms of the Underwriting Agreement.</p> <p>The Rights Issue is conditional, <i>inter alia</i>, upon: (a) the Underwriting Agreement becoming unconditional; and (b) Admission becoming effective.</p> <p>Applications have been made to the FCA for the New Ordinary Shares (nil paid and fully paid) proposed to be issued in connection with the Rights Issue to be admitted to the Official List, and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market. It is expected that admission of the New Ordinary Shares (nil paid) will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on 2 June 2016.</p> <p>The New Ordinary Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions made, paid or declared (if any) after the date of issue of the New Ordinary Shares.</p> <p>The last time and date for acceptance and payment in full under the Rights Issue is expected to be no later than 11.00 a.m. on 16 June 2016.</p>
E.4	Material interests	Not applicable; there are no other interests including conflicting interests that are material to the Rights Issue.
E.5	Selling Shareholder / Lock-up arrangements	<p>Not applicable; no Shareholders are offering to sell Existing Ordinary Shares in connection with the Rights Issue and there will be no lock-up agreement.</p> <p>Pursuant to the Underwriting Agreement, the Company has agreed, subject to customary exceptions, not to issue any Ordinary Shares or rights to subscribe for Ordinary Shares during the period of 180 days from Admission, without the prior written consent of the Joint Bookrunners.</p>
E.6	Dilution	A Qualifying Shareholder who sells or otherwise elects not to take up or who is not able or permitted to take up its, his or her Nil Paid Rights (for example because they are an Excluded Shareholder) will experience a 33.3 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 33.3 per cent.) as a result of the Rights Issue.
E.7	Estimated expenses charged to the investor by the issuer	Not applicable; there are no expenses to be charged to Qualifying Shareholders by the Company in connection with the Rights Issue.

PART II

RISK FACTORS

An investment in the Company and the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and/or related instruments is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, and all of the information incorporated by reference into this Prospectus prior to making an investment in the Nil Paid Rights, Fully Paid Rights, New Ordinary Shares and/or related instruments. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

The risks below are all those which the Directors are aware of as at the date of this Prospectus and which they currently believe may materially affect the Company and/or Group. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks set out in this Part II are based on information known at the date of this Prospectus. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may exist or become material and could adversely and materially affect the Company and/or the Group. This Prospectus also contains estimates that involve risks and uncertainties. The Group's results may differ significantly from those previously estimated as a result of certain factors, including the risks which it faces, as described below.

Risks relating to the business of the Group

The Group's business, results of operations and financial condition could be materially affected by a decline in government defence and security budgets or changes in budgetary priorities, deterioration in the macroeconomic environment and cyclicalities of commercial or defence end user markets.

The level and type of spending in the global defence and security and commercial sectors is dependent on a complex mix of macroeconomic, fiscal and strategic defence and security imperatives. Changes in government spending, customer demand levels or other external factors could lead to programme terminations or delays, or changes in sector growth. Deterioration in demand affecting short cycle business (those businesses that typically fulfil their orders within three to six months of receipt) or a fundamental shift in underlying market demand or in how certain customers procure products or services has had and could continue to have an adverse effect on the Group's results, which in turn could lead to missed growth targets, reduced earnings and failure to win new business, resulting in adverse performance against the Group's strategic plan.

A significant percentage of the Group's revenue is derived either directly or indirectly from government agencies. As a result of the concentration of the Group's business with governmental agencies, its revenue, income and cash flows would be adversely affected if a significant number of its government contracts, sub-contracts or prospects are delayed or cancelled for budgetary or other reasons, including changes in laws and regulations pertaining to government procurement, challenges to the award of the contracts by competitors, curtailment of a government's use of outsourced providers and contravention of legislation and/or regulations which may apply to government contracts.

Approximately 36 per cent. of the Group's revenue for the financial year ended 31 December 2015 was derived from contracts with agencies of the U.S. federal government or contractors or subcontractors of the U.S. federal government. In recent years, U.S. government appropriations have been affected by larger U.S. government budgetary issues and related legislation. In 2011, the United States Congress enacted the Budget Control Act of 2011 (the **BCA**), which established specific limits on annual appropriations for fiscal years 2012-2021. Pursuant to the BCA, which was amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015 (the **BBA**), the fiscal year 2013 DoD budget was reduced by 10.3 per cent. as compared to fiscal year 2012, and the DoD budget remained essentially flat for fiscal year 2014 and 2015. While the BBA provides for stability and modest growth to the DoD budget through fiscal year 2017, future spending levels and specific programme appropriations are uncertain. In addition, in recent years the U.S. government has been unable to complete its budget process before the end of its fiscal year, resulting in both a governmental shut-down and continuing resolutions to extend sufficient funds only for U.S. government agencies to continue operating. Additionally, while the BBA eliminates the debt ceiling through fiscal year 2017, the national debt has recently threatened to reach the statutory debt ceiling, and such an event in future years could result in the U.S. government defaulting on its debts. As a result, U.S. defence spending levels are difficult to predict beyond the near-term.

Approximately 26 per cent. of the Group's revenue for the financial year ended 31 December 2015 was derived from contracts with non-U.S. governments and agencies. While heightened regional security tensions and local conflicts in Asia-Pacific and in the Middle East have led to an increase in demand for the Group's defence/security products, there can be no assurance that these demand conditions will continue or will not be impacted by changes in government priorities. Furthermore, while some countries in Europe have modestly increased their defence budgets in response to recent heightened security threats, overall public deficits and indebtedness remains high, which the Group expects will continue to limit growth in defence/security investment in the region.

The global defence and security and commercial sectors have historically been cyclical and have experienced periodic downturns. For example, the Group has continued to experience weak trading in certain of its short cycle commercial markets, including the marine SATCOM and Wireless businesses with current subdued market conditions being driven primarily by reduced underlying demand in Asia-Pacific, weakness in global oil and gas markets and reduced levels of research and development expenditure by prospective customers in wireless test markets. The Group has also experienced weaker than anticipated trading in its commercial fly-in fly-out business in its Aviation Services Sector, with certain natural resources customers in Australia slowing-down their operational activities and increased competition, which has resulted in reduced flying activity in that market. The factors leading to and the severity and length of a downturn are difficult to predict and there can be no assurance that the Group will appropriately anticipate changes in these underlying end markets, or that any increased levels of business activity would continue as a trend into the future. If the Group does not anticipate changes in the end markets which it serves, its business, results of operations and financial condition could be materially adversely affected.

The occurrence of risks associated with the products and services provided by the Group, including the failure to execute contracts profitably or at all, could have a material adverse effect on its business, financial position and future operations.

The Group designs, develops and delivers products and services that are often customised, utilising complex technologies, under fixed-price contracts that are sometimes performed over multiple years and are therefore long-term in nature. This gives rise to the risks of failure to execute the contract profitably, the supply of delayed product, inventory obsolescence, the incurrence of other contractually related liabilities, or damage to the Group's reputation and commercial relationships.

In preparing quotations and tenders for its customers, the Group carries out budgeting estimates based on the scope of work, labour and material costs, third party costs and other requirements. The accuracy of cost estimates is dependent on the Group's experience and technical expertise in understanding the complexity and challenges of each quotation and tender. The Group has a number of significant contracts which span more than one accounting period, in particular, its development and production contracts for aerial refuelling aircraft. If the Group fails to accurately estimate the resources and time necessary for these contracts or fails to complete these contracts within the time frame and costs that have been agreed upon, as a result of, among other factors, whether or not under the Group's control, difficulties relating to the performance of third parties, including timeliness of supplier and other counterparty performance, unanticipated technical problems, material enhancements to the specifications originally assumed or unforeseen increases in the cost of materials or the inability to obtain them in a timely manner, there may be a material impact on the profitability the Group realises on the contract including that it may not collect all of the amounts included within the balance sheet, as well as on the Group's reputation. In addition, the Group may not be able to obtain full compensation for work performed or expenses incurred, and if a contracted order suffers any delays to its contractual milestones or delivery schedule, the Group may be contractually liable to pay liquidated damages. The nature of much of the work done by the Group under its contracts means that there are reasonably frequent contractual disputes, variations and renegotiations that arise in the ordinary course of business. The resolution of such matters is uncertain and may have a material impact on the short-term profitability the Group realises on the contract or its reputation.

The Group's order book may not be a reliable predictor of the Group's future revenue.

As a significant proportion of the Group's revenue is derived from fulfilling its order book of contracts, the Group's profitability is dependent on maintaining a consistent order intake or pipeline of orders to fulfil and subsequently realise the revenue associated with those orders. Reductions in order intake due to cancellation or modification by a customer or for other reasons reduces the revenue that the Group receives, and even where an order proceeds as scheduled, the Group's counterparties may default and fail to pay amounts owed to the Group. Delays, suspensions, cancellations, payment defaults and changes in scope of the order could materially reduce revenue and profits that the Group realises from the orders in its order book. As a result of the foregoing, the

Group's order intake in any one period may not be a reliable indicator of the Group's future revenue, and the failure to realise revenue from its order book could have a material adverse effect on the business, results of operations and financial condition of the Group.

The Group operates in highly competitive industries and any inability to successfully compete could result in loss of market share and a decline in revenue and profitability.

The Group operates in highly competitive industries. Current and prospective customers for its products evaluate their capabilities against the merits of direct competitors. The Group competes primarily on the basis of technology and performance and, for certain products, on price. To succeed in the future, the Group will need to continue to design, develop, manufacture, market and support new products and enhancements on a timely and cost-effective basis. The Group may not be able to successfully identify new opportunities and may not have the necessary financial or operational resources to develop new products and systems. At the same time, products and technologies developed by competitors may render the Group's products, services and systems obsolete or non-competitive.

There can be no assurance that the Group will be able to maintain its current market share with respect to any of its products or services. Delays in commencing or maintaining volume shipments of new products, the discovery of product, process, software or programming defects or failures and any related product returns could result in a loss of market share to competitors, which could have a material adverse effect on the business, results of operations and financial condition of the Group.

In addition, the Group's existing contractual arrangements are subject to periodic renewal and retender in the ordinary course of business. No assurance can be given that the Group will be able to successfully renew contracts that have been put out for retender. For example, the Aviation Services Sector has a contract with the UK Ministry of Defence to provide helicopter pilot training services until April 2018. Airbus Helicopters UK Ltd has recently been selected as the aircraft service provider in support of the follow-on contract.

Furthermore, as a defence and security equipment manufacturer, the Group generates revenue directly and indirectly from government agencies. A decrease in defence spending, as has been experienced in recent years, has increased competition for bids for contracts, and has ultimately driven down profit margins for defence suppliers. Governments have increasingly relied upon competitive contract award types, including indefinite-delivery, indefinite-quantity and other multi-award contracts, which have the potential to create pricing pressure and result in reduced margins. Any inability of the Group to compete effectively for government contracts, or to perform such contracts profitably, could have a material adverse effect on the business, results of operations and financial condition of the Group.

The Group has significant borrowings and liabilities, the amount and terms of which may limit its financial and operational flexibility or give rise to an event of default.

The Group's borrowings contain a number of financial covenants, in particular the net debt/EBITDA and net interest/EBITA covenants, which limit the Group's financial and operational flexibility. As at 31 December 2015, the Group's net debt was £1,207 million and its net debt/EBITDA was 2.9x. After taking into account the proceeds of the Rights Issue, the Directors do not expect a breach of its net debt/EBITDA covenants to occur during the period covered by the working capital statement in this prospectus. The Group's net debt has increased significantly in recent years from £453 million as at 31 December 2013 to £1,207 million as at 31 December 2015, due in part to financing incurred for the Aeroflex acquisition.

In the event that the Rights Issue does not complete, there is a risk that the Group will breach the net debt to EBITDA covenant in certain of its financing documents on 30 June 2016, which is the next covenant test date. If the Group breaches this covenant, the Group's lenders, by virtue of cross acceleration clauses in the Group's financing documents, have the right to demand repayment of substantially all of the Group's outstanding indebtedness. If such a demand were to be made, the Group does not expect that it will have the funds immediately available to repay such amounts. As a result, if the Rights Issue does not proceed, the Group anticipates that it would renegotiate the terms of its financing documents with its lenders and to secure amendments from them. However, there can be no assurance that the Group will be able to obtain such amendments at all or by 30 June 2016 or without significant cost to the Group in the form of additional fees payable, increased interest payments or additional restrictions on its business. In addition, as part of the

amendment process, the Group may be required by its lenders to dispose of certain businesses in order to use the proceeds to reduce net debt and to reduce costs in the businesses. However, there can be no assurance that the Group will be able to sell such businesses or the level of proceeds from any such sales or that the Group will be able to successfully reduce costs. As a result, if the Rights Issue does not proceed, the Group may be unable to secure amendments under its financing documents or raise sufficient proceeds from the sale of businesses other than on terms which could have a material adverse effect on the Group's business, financial condition and results of operations or result in a loss to shareholders of part of the value of their investment in the Company.

Furthermore, following a successful Rights Issue, the Group will continue to be subject to covenants in its borrowing agreements, which limit the flexibility of the Group in running its business and may have other operational impacts on the Group, including:

- limiting or restricting the Group's ability to pay dividends or make other distributions;
- requiring the Group to use available cash flow to service its debt obligations, thereby preventing acquisitions or limiting capital expenditure or other investment in the Group's business;
- placing the Group at a disadvantage compared to its competitors that may be less leveraged or restricted by financial covenants; and
- increasing the cost of servicing the Company's borrowings in the event that such covenants have to be renegotiated.

Any of the above factors could have a material adverse effect on the Group's business or financial position.

In addition, the Company operates a number of defined benefit pension schemes, with the largest being the Cobham Pension Plan in the UK. At 31 December 2015, the estimated deficit for accounting purposes, which is the difference between the value of the schemes' assets and the present value of the future liabilities, was £57 million before deferred tax. Increases in the value of the liabilities of the defined benefit pension schemes and/or a reduction in the value of the assets supporting such schemes can lead to increased deficits at future formal actuarial valuations, typically resulting in increased employer contributions, which could be material for the Group.

The Group's international sales are subject to political, economic and other uncertainties, which could have a material adverse effect on the Group's business.

The Group has customers and partners in more than 100 countries and derives a substantial portion of its revenue from sales outside of its home markets. Furthermore, it intends to continue to expand its customer base as part of its strategy. Operating in international markets requires significant resources and management attention and subjects the Group to political, economic, legal and regulatory risks. These include:

- failure to receive necessary permits, export licences and approvals in a timely fashion, or at all;
- inability to secure, or delays in securing, letters of credit;
- risks of terrorism and civil unrest;
- inability to deliver product due to shipping or port restrictions;
- expropriation, confiscation or nationalisation of the Group's assets;
- renegotiation or nullification of the Group's existing contracts;
- changing political conditions, and changing laws and policies affecting trade and investment;
- overlap of different tax structures; and
- changing local laws and regulations.

Acts of terrorism and unrest in or around various countries with which the Group trades could limit or disrupt its markets and operations, resulting in fewer contracts, the termination of existing contracts or the non-payment of completed contracts. Sanctions and related legal regimes may also limit the Group's ability to obtain export licences. Once an export licence is obtained, the Group still faces hurdles, including the receipt of permits and availability of suitable transportation facilities. During periods of unrest in countries in which the Group operates, the Group could face delays in obtaining export licences, resulting in delayed revenue, which could materially adversely affect the Group's financial condition and results of operations.

Failure to comply with laws, regulations and restrictions may result in fines or other sanctions being levied on the Group, and exclusion from future government contract programmes, which could adversely impact the Group's reputation, business and operations.

The Group operates in highly regulated environments and is subject to the laws, regulations and restrictions of many jurisdictions, including those of the United States, the United Kingdom and other countries. These include anti-corruption laws, secrecy laws, import and export controls, tax, government contracting rules, regulations specific to participants in the defence and security sector, labour, environmental and health and safety regulation. The Group operates an international business and any lack of understanding of the legal and regulatory restrictions in force in any of the jurisdictions in which the Group operates could lead to it being in contravention of applicable laws and regulations. The Group maintains policies and procedures to comply with such laws and regulations. However, any failure by the Group, its sales intermediaries, or others acting on its behalf to comply with these laws and regulations could result in significant fines, penalties, legal claims, suspension or debarment from future government contracts, as well as having an impact on the Group's reputation. Such sanctions could have an impact on the Group or its business, financial position and future operations. Suspension or debarment could have a material adverse effect on the Group because of its reliance on government contracts. New legislation, changes in existing legislation and/or regulatory or enforcement policies may also result in additional costs or restrictions.

Certain of the Group's U.S. entities currently hold facility security clearances under a Special Security Agreement (SSA) with the DoD, which is expected to be renewed in 2016. The SSA is intended to effectively insulate such U.S. entities from foreign ownership, control and influence and includes restrictions on access to classified information and export-controlled information by all entities outside of the SSA. A failure to meet the requirements or a breach of the SSA or a failure to renew the SSA could result in a termination of the SSA and such U.S. entities the losing their facility security clearances, among other legal consequences and fines, as well as potential loss of U.S. federal government contracts, involving classified contracts which in turn could have a material adverse impact on the Group's U.S. business, results of operations and financial results.

In addition, due to the nature of the Group's products, it must typically obtain licences and authorisations from various U.S. and non-U.S. government agencies before it is permitted to sell its products outside of such jurisdictions. The Group can give no assurance that it will continue to be successful in obtaining or maintaining the necessary licences or authorisations or that certain sales will not be prevented or delayed. Any significant impairment of the Group's ability to sell its products could negatively impact its results of operations, financial condition or liquidity.

The Group is subject to the UK Bribery Act 2010 (the Bribery Act), the United States Foreign Corrupt Practices Act of 1977 (the FCPA) and other similar laws and may become subject to further such laws in the future, and its failure to comply with the laws and regulations thereunder could result in penalties which could harm its reputation and materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to the Bribery Act, the FCPA and other similar laws in other jurisdictions which prohibit companies and their intermediaries from making improper payments to third parties, particularly to foreign officials, for the purpose of obtaining or keeping business and/or other benefits. In addition, some countries in which the Group operates have, or are perceived to have, relatively high levels of corruption. Although the Group has developed policies and procedures designed to ensure that the Group, its employees and its sales partners and intermediaries comply with the Bribery Act, the FCPA and other similar laws, there is no assurance that such policies or procedures will work, or have worked in the past effectively all of the time, or will protect the Group against liability under the Bribery Act, the FCPA or similar laws for actions taken by its agents, employees and intermediaries with respect to the Group's business. If the Group is not in compliance with the Bribery Act, the FCPA or other laws governing the conduct of business with third parties, particularly government entities, it may be subject to criminal and civil penalties and other remedial measures, which could materially adversely affect the Group's business, financial condition, results of operations and prospects. Any investigation or allegation of any potential violations of the Bribery Act, the FCPA or other anti-corruption laws by the United Kingdom, United States or foreign authorities and any remediation measures taken in response to such potential or alleged violations of the Bribery Act, the FCPA or other anti-corruption laws, including any necessary changes or enhancements to the Group's procedures, policies and controls, and potential personnel changes and/or disciplinary actions, could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group relies upon its ability to derive targeted benefits from organisational design within an effective governance framework, with appropriate skills and talented employees recruited and retained.

Key to the execution of the Group's strategic plan is the effective implementation and embedding of the organisational design project within an enhanced governance framework. Failure to deliver the project, resulting in the lack of an appropriately skilled and effectively deployed workforce and management team, could impair the Group's ability to deliver against its strategic plan. This could materially adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, the Group's decentralised organisational structure delegates considerable operational autonomy and responsibility to its business units. The Group requires its business units to maintain consistent procedures, policies and controls in line with its corporate governance framework and these procedures, policies and controls are implemented through a combination of operational reviews by senior management, self certification by business units twice a year and a risk based internal audit plan. It has also recently made improvements to its management and reporting structures to enhance these controls. However, the Group has previously experienced and there can be no assurance that the Group will not in the future experience, incidents of business unit managers not complying with the Group's policies and procedures or applicable legislation, which could materially adversely affect the Group's business, financial condition, results of operations and profit.

The success of the Group's strategy and its ability to operate in challenging markets and difficult times is dependent on its ability to attract and retain talent and skills, including senior management and a qualified team of engineers and employees with managerial, technical, marketing and information technology support positions. Employee retention may be particularly challenging following acquisitions or divestures, as the Group must continue to motivate employees and keep them focused on its strategies and goals. The loss of such managers or key personnel without suitable replacement could result in the loss of expertise and technical knowledge currently available to the Group.

In addition, failure to retain or loss of all the skills necessary to execute on growth plans and deliver key customer programmes can lead to reduced customer confidence and the Group's business, results of operations and financial condition could be adversely affected as a result.

The Group relies on third party manufacturers and key suppliers to conduct its operations.

The Group outsources a portion of its manufacturing and engineering functions to third parties. This reliance on third party manufacturers and engineers involves significant risks, including lack of control over capacity allocation and quality resulting in disruption to delivery schedules. Disputes regarding the ownership of certain third party intellectual property may preclude third party manufacturers from fulfilling the Group's requirements at a reasonable cost or, in some cases, at all. A shortage of raw materials or production capacity could lead any of the third party manufacturers to allocate available capacity to other customers, or to internal uses. If these third parties fail to perform their obligations in a timely manner or at satisfactory quality and cost levels, the Group's ability to bring products to market and its reputation could suffer and its costs could increase. For example, during a market upturn, contract manufacturers may be unable to meet demand requirements, which may preclude the Group from fulfilling customers' orders on a timely basis, which could lead to a loss in sales. The ability of these third parties to perform is largely outside the Group's control.

The Group also purchases various types of raw materials and component parts from suppliers, and may be materially adversely affected by the failure of those suppliers to perform as expected. This non-performance may consist of delivery delays or failures caused by production issues or delivery of non-conforming products. The risk of non-performance may also result from the insolvency or bankruptcy of one or more suppliers. Further, the Group may occasionally seek to engage new suppliers with which it has little or no experience; this can pose technical, quality and other risks. Efforts to protect against and to minimise these risks may not always be effective.

Any of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be subject to product liability and other claims, which could have an adverse effect on the Group or its business, financial position and future operations.

The Group may be subject to product liability and other claims from customers and third parties, in connection with the non-compliance of its products and services with the customers' or third parties' requirements, or in

connection with potential safety risks due to faults in design or production or possible malfunction or misuse of these products. The Group may not be able to anticipate all of the possible performance or reliability problems that could arise with its new or existing products, which could result in a loss of sales or market share, failure to achieve market acceptance, damage to reputation, indemnification claims, litigation, increased insurance costs and increased service costs, any of which could also discourage customers from purchasing its products. There can be no assurance given that the amount of the general product liability insurance that the Group maintains will be sufficient to cover potential claims or that the present amount of insurance can be maintained at the present level of cost, or at all. In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect the Group's reputation, making it more difficult for the Group to compete effectively. Occurrence of any of the foregoing could have an adverse effect on the Group or its business, financial position and future operations.

The Group is exposed to currency exchange rate fluctuations.

The Company's reporting currency is in sterling and its principal foreign currency exposure relates to movements in the U.S. dollar/sterling exchange rate, due to its significant U.S. operations and U.S. dollar denominated gross debt levels. This exposure can adversely affect profits, cash flows and balance sheet positions, such as net debt. The Group's exposure to the U.S. dollar increased following the acquisition of Aeroflex. As a result, the Group's sterling-denominated financial statements can be affected, in particular, by changes in the relative value of the U.S. dollar against sterling, due to the large percentage of the Group's revenue and profits that are generated and denominated in U.S. dollars and the percentage of the Group's net debt that is denominated in U.S. dollars.

As a result of its international operations, the Group is also exposed to the Australian dollar, the euro, the Danish krone and other currencies. While the Company implements policies to manage these exposures on an ongoing basis, including entering into currency hedges to help manage this risk, there can be no assurance that the financial performance and condition of the Group will not be adversely affected by movements in currency exchange rates. In addition, to the extent that the Group is unable to match its revenue with costs denominated in the same currency, or if the currency in which the costs are denominated increases in value relative to the currency in which the revenue is denominated, adverse currency movements could have a material adverse effect on the Group's financial condition and results of operations.

Additionally, if in the future the Group expands its sales and operations into new markets, with different currencies to those to which the Group is currently exposed, this could expose the Group to additional currency translation risks. Any fluctuation in the value of a relevant foreign currency against sterling would affect the value of the Group's revenue, costs, assets and liabilities, which may in turn affect the Group's reported financial condition and results of operations in a given reporting period.

A rise in interest rates may have a detrimental effect on the Group's financial condition and results of operations.

As at 1 April 2016, interest was payable on approximately 40 per cent. of the Group's outstanding indebtedness at floating rates. As a result, the Group's interest costs will increase in the event of rising interest rates. While the Group seeks to mitigate interest rate risk, where appropriate using derivative products, including swaps and other similar products transacted with counter-party banks, there can be no assurance that the Group will be able to successfully mitigate interest rate risk through use of these products. In addition, any gain or loss on the re-measurement of the fair value of the derivative financial instrument at each balance sheet date is reflected in the Group's income statement, which, in turn, introduces a level of volatility to the Group's results, which may in turn affect the Group's reported financial condition and results of operations in a given reporting period. Rising interest rates may also have a more general effect upon demand conditions in some of the markets in which the Group operates.

The Group's business and operations may be adversely affected by significant business interruptions, which may not be adequately covered by the Group's insurance policies.

The Group's business and operations could be impacted by unpredictable events such as inclement weather, explosions, fires, terrorist acts, aircraft accidents and other accidents. In some cases, these events are unique to the products and services that it provides. New technologies associated with these products and services may be untested or unproven, and certain products or activities in connection with which those products are used are inherently dangerous. In addition, the threat of fire causing significant supply chain disruption is inherent in the manufacturing environment, whereas natural catastrophic risks, such as flood, earthquake and windstorm, are largely dependent on location.

Both the likelihood and the impact of most loss events can be positively impacted through prudent management activity and loss prevention programmes, such as ensuring that effective business continuity management is in place. For the Group's larger manufacturing locations, it implements programmes that seek to meet or exceed insurance industry best practice loss prevention guidance, such as fixed automatic fire protection in areas of significant fire risk, and for its smaller locations, effective loss prevention programmes and incident management plans; however, the Group has less control over the loss prevention programmes of its suppliers and contract manufacturers. The Group also maintains certain insurance policies to provide commercially reasonable and/or industry-standard insurance coverage for its businesses in the countries in which the Group operates. While this insurance coverage could offset losses relating to some of these types of events, such insurance may not be adequate to cover all claims or liabilities, and the Group may be forced to bear substantial costs in the event of an accident or incident. In addition, any accident or incident for which the Group is liable, even if fully insured, could negatively affect the Group's reputation with customers and the general public, thereby making it more difficult to compete effectively, and could significantly affect the cost and availability of adequate insurance in the future. Any failure by the Group or its suppliers and contract manufacturers to implement effective programmes for the prevention of loss events and business continuity management in the event of unavoidable loss events, or lack of adequate insurance to cover claims and liabilities in the event of loss events, could have a material adverse effect on the Group's business, results of operations and financial condition.

Some of the Group's operations involve the handling, transportation and disposal of hazardous materials, and environmental laws and regulations and civil liability for contamination of the environment or related personal injuries may result in increases in the Group's operating costs and capital expenditure and decreases in its profit and cash flows.

The Group's operations are subject to various environmental laws and regulations within the countries in which it operates, relating to, amongst other things, the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes used in its operations.

The Group's operations involve the handling, transportation and disposal of hazardous materials. Failure to properly handle these materials could pose a health risk to humans or wildlife, and could cause personal injury and property damage (including environmental contamination). If an accident were to occur, its severity could be significantly affected by the volume of the materials and the speed of corrective action taken by emergency response personnel, as well as other factors beyond the Group's control, such as weather and wind conditions. Actions taken in response to an accident could result in significant costs.

Governmental requirements relating to the protection of the environment, including solid waste management, air quality, water quality and remediation of contaminated sites (including in respect of acquired businesses and disposed of properties where the Group has given an indemnity to the purchaser), may have a substantial impact on the Group's operations. Compliance with amended, new or more stringent environmental requirements, stricter interpretations of existing requirements or the future discovery of contamination may require the Group to make material expenditures or subject the Group to liabilities that are not currently anticipated. Such expenditures and liabilities may adversely affect the Group's business, financial condition, results of operations and cash flows. In addition, some of the Group's operations and the operations of the previous owners of some of the Group's properties could expose the Group to civil claims by third parties for liability resulting from alleged contamination of the environment or personal injuries caused by releases of hazardous substances into the environment.

The Group seeks to protect itself from liability associated with accidents in the contracts it enters into but there can be no assurance that such contractual limitations on liability will be effective in all cases or that the Group's or its customers' insurance will cover all the liabilities that the Group has assumed under those contracts. The costs of defending against a claim arising out of a contamination incident or precautionary evacuation, and any damages awarded as a result of such a claim, could materially adversely affect the Group's financial condition and results of operations. In addition, such accidents and events pose additional operational risks, including delays in completing contracts, which may result in contractual damages and further reputational impact, which could also materially adversely affect the Group's financial condition and results of operations.

The Group may experience difficulties integrating acquired businesses or effecting disposals in a timely manner, and may not realise anticipated synergies or other benefits.

Since completion of the Aeroflex acquisition in 2014, the Company has focused on integrating the Aeroflex business into the Group. Although the Company has realised certain synergy benefits ahead of its original plan,

failure to deliver the planned synergies and growth from the Aeroflex acquisition could have a detrimental impact on the Group's financial performance and returns. The integration process is complex, costly and time-consuming and the Group may not be able to capture all of the anticipated synergies, tax benefits, cost savings, and business opportunities in the time frame anticipated. Aeroflex also may not perform as expected, or demand for its products may be adversely affected by global economic conditions that are outside of the Group's control. The integration process could also cause disruptions in the Group's and Aeroflex's businesses, including potential adverse reactions or changes to business relationships and competitive responses, as a result of the acquisition. Any of the foregoing could materially adversely affect the Group's business, financial condition and results of operations.

In addition, the Group may experience difficulties in integrating other recently acquired businesses, and the anticipated benefits of such acquisitions may not be realised fully or may take longer to realise than expected.

The Group may also make divestments in the future, and the Group's ability to successfully divest of a business depends on a number of factors, many of which are outside its control. For example, a buyer may not be available, or the Group may not be successful in negotiating satisfactory terms with prospective buyers. As a result, the Group may not be able to divest a business in a timely manner, or at all. Even if a divestment is successful, the Group may face indemnity or other liability claims by the buyer or other parties.

As a result, acquisitions or divestments undertaken by the Group may be costly and may not deliver the expected benefits, which could materially adversely affect the Group's business, financial condition and results of operations.

Goodwill and other intangible assets represent a significant portion of the Group's assets, and any impairment of these assets could adversely affect the Group's financial position.

At 31 December 2015, the Group had goodwill of £1,147 million and intangible assets of £582 million. The Group conducts an annual impairment test of goodwill balances and intangible assets are reviewed whenever there is an indicator that an asset may be impaired. Any excess goodwill resulting from the impairment test must be written off in the period of determination and, in the year ended 31 December 2015, the Group recorded impairment charges of £72 million. Intangible assets (other than goodwill) are generally amortised over the useful life of such assets.

Certain of the Group's cash generating units, where the goodwill value is deemed to be significant, have headrooms which would leave them in an impaired position if the assumptions about anticipated trading, cost synergies discount rates or projected GDP, differed significantly from the Group's current projections. In addition, the Group may acquire or make an investment in a business which will require the Group to record goodwill and intangible assets based on the purchase price and the value of the acquired assets. The Group may subsequently experience unforeseen events that could adversely affect the value of its goodwill or intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets. Future determinations of significant impairments of goodwill or intangible assets as a result of an impairment test or any accelerated amortisation of other intangible assets could have a negative impact on the Group's financial position.

The Group relies on intellectual property law and confidentiality agreements to protect its intellectual property. The Group also has unpatented proprietary technology. Failure to protect the Group's intellectual property rights, or loss of unprotected technology, could adversely affect the Group's financial condition and results of operations.

The Group relies on patents, trademarks, copyrights, trade secrets and proprietary know-how and concepts in connection with its business and products. The Group attempts to protect its intellectual property rights, in the United Kingdom, the United States and elsewhere, through a combination of patent, trademark, copyright and trade secret laws, as well as confidentiality agreements. Failure to obtain or maintain adequate protection of intellectual property rights for any reason could have a material adverse effect on the business, results of operations and financial condition of the Group.

While the protection afforded by patent, trademark, copyright and trade secret laws may provide some advantages, the competitive position of participants in the Group's industry is principally determined by such factors as the technical and creative skills of personnel, the frequency of their new product developments and ability to anticipate and rapidly respond to evolving market requirements. To the extent that a competitor effectively uses its intellectual property portfolio, including patents, to prevent the Group from selling products that allegedly infringe such competitor's products, the Group's business and results of operations could be materially adversely affected.

The Group also relies on unpatented proprietary technology. It is possible that other competitors will independently develop the same or similar technology or otherwise obtain access to such unpatented technology. To protect trade secrets and other proprietary information, employees, consultants, advisers and collaborators are required to enter into confidentiality agreements. It cannot be guaranteed that these agreements will provide meaningful protection for trade secrets, knowhow or other proprietary information in the event of any unauthorised use, misappropriation or disclosure of such trade secrets, knowhow or other proprietary information. If the Group is unable to maintain the proprietary nature of its technologies, its sales could decrease and this could have a material adverse effect on its business, results of operations and financial condition.

In the event of an infringement of the Group's intellectual property rights, a breach of a confidentiality agreement or the divulgence of proprietary information, the Group may not have adequate legal remedies to protect its intellectual property. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of the Group's business. In addition, the Group's trade secrets may otherwise become known or be independently developed by competitors.

In some instances, the Group has augmented its technology base by licensing the proprietary intellectual property of third parties. In the future, the Group may not be able to obtain the necessary licences on commercially reasonable terms, or at all, which could materially adversely affect the Group's financial condition and results of operations.

The Group relies on and is exposed to risks associated with its information technology systems, including any failure to successfully execute continuous improvement programmes.

The Group relies on its information technology, or IT systems which are an integral part of its business. Failure to deliver growth and improvements in operational performance that are sustainable, and to deploy standard IT services (for example, in business solutions, security and enterprise resource planning (ERP) system) across the Group where appropriate, could adversely affect project, programme, product and service delivery, increasing costs and reducing customer satisfaction. In addition, a serious disruption to the IT systems could significantly limit the Group's ability to manage and operate its business efficiently, which in turn could have a material adverse effect on its business, results of operations and financial condition.

The Group is currently deploying a new ERP system. In the year ended 31 December 2015, the system became operational for a business unit and has since become operational at another site. The Group expects to progressively roll out the ERP system across a number of the Group's other operating locations during the next few years. A key part of the Group's strategy is to improve the efficiency of its information technology platform and services. While many of the required core systems are in place, their implementation and effectiveness need to be improved and costs reduced. Failure to achieve cost reductions or efficiency improvements in line with the Group's plans could have a material adverse effect on its business, results of operations and financial condition. The Group has capitalised the development costs of the new ERP system and these are being amortised over the estimated useful life of the system. Any change in the implementation plan could accelerate the amortisation of the asset.

Due to the nature of its business, the Group faces various security threats, including cyber security attacks from computer hackers, viruses, malicious code and other sources to IT infrastructure and attempts to gain access to proprietary or sensitive information, as well as threats to the physical security of its facilities and infrastructure. Although various bespoke and industry-standard procedures and controls are utilised to monitor these threats and mitigate exposure to such threats, there can be no assurance given that these procedures will be sufficient to prevent security and cyber security threats from materialising.

Although the Group has not experienced any material adverse impacts on operations from system interruptions and delays to date, the impact of any future attack cannot be predicted with any certainty due to the evolving nature of these security threats. If any of these threats were to materialise, the Group's operations may be disrupted and the Group may experience a loss in sales or increased costs arising from the implementation of additional security measures. In addition, the costs associated with cyber or other security threats or disruptions may not be fully insured against or recoverable by other means.

Occurrence of any of these events could adversely affect the Group's operations, the services it provides to its customers, its research and development efforts and other intellectual property, future financial results, its reputation and its share price.

A UK exit from the European Union could impact the Group's operations and financial condition.

Following the UK general election in May 2015, the UK government committed to hold a referendum by the end of 2017 on whether the United Kingdom will remain in the European Union. That referendum will be held on 23 June 2016, and the Group faces risks associated with a vote to exit the European Union. For example, because a significant proportion of the regulatory regime applicable to the Group in the United Kingdom is derived from European Union directives and regulations, a vote in favour of the United Kingdom exiting the European Union could materially change the regulatory framework applicable to the Group's operations. In addition, a UK exit from the European Union could result in restrictions on the movement of capital and the mobility of personnel as well as volatility in the sterling exchange rate against the euro, the Danish krone and the U.S. dollar.

Any of these 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.

A change in the tax rates, tax laws or practice by the relevant tax authority, the testing through litigation of the correct interpretation of any legislation, or any failure by the Group to manage tax risks adequately, may materially adversely affect the Group's reputation, financial condition and results of operations.

The Group is subject to corporate and other tax rules in the jurisdictions where it conducts its business operations. Changes in tax rates, tax reliefs and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may materially adversely affect the Group's financial condition and results of operations. In addition, aggressive tax enforcement has become a higher priority for many tax authorities in jurisdictions in which the Group operates, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws and the Group may have disagreements with tax authorities which could result in a material restatement to the tax position.

The Group is required to exercise judgement when determining its provisions for income taxes and accounting for tax-related matters, including judgement in relation to the recognition of deferred tax assets. The Group regularly makes estimates where the ultimate tax determination is uncertain. The final determination of any tax audit, tax litigation, appeal of a taxing authority's decision or similar proceedings may take many years to resolve and may differ materially from that which is reflected in the Group's financial statements. The Group operates in many different tax jurisdictions and is therefore subject to routine periodic tax audits.

Any of the foregoing could materially adversely affect the Group's business, reputation, financial condition and results of operations.

Risks Relating to the Ordinary Shares

The value of an investment in the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares may go down as well as up and any fluctuations may be material.

The Company's share price has fluctuated and may continue to fluctuate. The market price of the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares could also be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The factors which may affect the Company's share price, and the price of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, include (but are not limited to):

- the Company's expected and actual performance and the performance of the industries in which it operates;
- changes in government spending and the level of activity among its customers in the end-segments and geographies in which it operates;
- regulatory changes affecting the Group's operations;
- speculation regarding mergers or acquisitions involving, and/or major divestments by, the Company or its competitors;
- future issues of Ordinary Shares, or large purchases or sales of Ordinary Shares in the market; and
- announcements of changes in the Company's credit rating.

Furthermore, the Company's share price, and the price of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, may fall in response to market appraisal of its current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects.

Any of these events could result in a decline in the market price of the Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

The market price for the Ordinary Shares may decline below the Rights Issue Price.

The public trading market price of the Ordinary Shares may decline below the Rights Issue Price. Should that occur prior to the latest time and date for acceptance under the Rights Issue, Shareholders who exercise their rights in the Rights Issue will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the subscription price for those shares. Shareholders who decide not to exercise their Nil Paid Rights may also sell or transfer them. If the public trading market price of the Ordinary Shares declines below the Rights Issue Price, investors who have acquired any such Nil Paid Rights in the secondary market will likely suffer a loss as a result.

The market price of the Ordinary Shares may fluctuate and may not always reflect the underlying asset value of the Group.

Shareholders located outside the United Kingdom may not be permitted to take up their entitlements under the Rights Issue.

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders resident in such jurisdictions in the Rights Issue. In particular, the Rights Issue will not be registered under the U.S. Securities Act and therefore Shareholders located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements of the Securities Act is available. Qualifying Shareholders with a registered address in, or who are a resident in or are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or the New Ordinary Shares.

Shareholders who do not (or are not permitted to) subscribe for New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company.

If any Shareholder does not take up the offer of New Ordinary Shares under the Rights Issue, either because the Shareholder is in the United States or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Shareholder does not respond by 11.00 a.m. on 16 June 2016, the expected latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of the New Ordinary Shares, and that Shareholder's Nil Paid Rights to subscribe for the New Ordinary Shares lapse, the Shareholders' proportionate ownership and voting interests as well as the percentage that their shares will represent of the total issued ordinary share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell their unexercised Nil Paid Rights, or such Nil Paid Rights are sold on their behalf, the consideration the Shareholder receives may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

If, however, the Joint Bookrunners are unable to find subscribers for such New Ordinary Shares or are unable to achieve a price at least equal to the Rights Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up.

Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to subscribe for the New Ordinary Shares, their proportionate ownership and voting interest in the Company will be reduced and the percentage that the Ordinary Shares of that Shareholder would represent of the total share capital of the Company will also be reduced accordingly. Any consideration received may not be sufficient to compensate that Qualifying Shareholder fully for the dilution of their percentage ownership of the Company's issued ordinary share capital that may be caused as a result of the Rights Issue.

Any future issue of Ordinary Shares will further dilute the holdings of Shareholders of the Company and could adversely affect the market price of the Ordinary Shares.

Other than pursuant to the Rights Issue, the Company has no current plans for an offering of Ordinary Shares apart from possible offerings in relation to employee share plans. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future, either to raise capital or for other purposes. If Shareholders did not take up such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly. Any additional offering, issues of Ordinary Shares or significant sales of Ordinary Shares by major Shareholders could have a material adverse effect on the market price of the Ordinary Shares as a whole.

The ability of non-UK Shareholders to bring actions, or to enforce judgments, against the Company or its directors or officers may be limited.

The Company is a public limited company incorporated in England. The rights of Shareholders of the Ordinary Shares are governed by English law and the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations. A non-UK Shareholder may not be able to enforce a judgment against some or all the Company's directors and executive officers. Additionally, the majority of the Directors and executive officers are residents of countries other than the United States and most of their assets are outside of the United States. Consequently, it may not be possible for a non-UK Shareholder to effect service of process upon the Company's directors and executive officers within that non-UK Shareholder's country of residence, or to enforce against the Company's directors and executive officers judgments of courts of that non-UK Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a non-UK Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Company's directors and executive officers who are residents of the United Kingdom or countries other than those in which the judgment is made. In addition, English or other courts may not impose civil liability on the Company or the Company's directors and executive officers in any original action based solely on foreign securities laws brought against the Company or the Company's directors and executive officers in a court of competent jurisdiction in England or other countries.

A trading market for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not occur when, or develop as, expected.

Application for Admission of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares is subject to the approval (and satisfaction of any conditions subject to which such approval is expressed) of the UK Listing Authority and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares, respectively, will be admitted to trading. It is expected that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange's main market for listed securities at 8.00 a.m. on 2 June 2016. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice.

Furthermore, there can be no assurance that an active trading market in the Nil Paid Rights or Fully Paid Rights will develop upon or following Admission and, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and Fully Paid Rights may be volatile and subject to the same risks as noted elsewhere in this Prospectus in respect of the Ordinary Shares. The volatility of the price of Ordinary Shares may have the effect of magnifying the price volatility of the Nil Paid Rights and Fully Paid Rights.

The Company may not pay dividends. Consequently investors may not receive any return on their investment unless they sell their Ordinary Shares for a price greater than that which they paid for them.

The Company's ability to pay dividends is limited under English company law and any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, applicable law, regulations, the result of the Group's operations, capital and cash requirements, future projects and plans and other factors that the Board may deem relevant. In addition, as a holding company, the Company's ability to pay dividends in the future is affected by its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain

regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of Ordinary Shares.

Shareholders may be subject to exchange rate risks.

The Ordinary Shares are priced in sterling and are quoted and traded in sterling. In addition, any dividends the Company pays will be declared and paid in sterling. Accordingly, holders of the Ordinary Shares are subject to risks arising from adverse movements in the value of their local currencies against sterling, which may reduce the value of the Ordinary Shares, as well as that of any dividends paid by the Company.

PART III

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	John Devaney (<i>Non-Executive Chairman</i>) Robert Murphy (<i>Chief Executive Officer, Executive Director</i>) Simon Nicholls (<i>Chief Financial Officer, Executive Director</i>) Mike Wareing (<i>Senior Independent Non-Executive Director</i>) Alison Wood (<i>Independent Non-Executive Director</i>) Alan Semple (<i>Independent Non-Executive Director</i>) Mike Hagee (<i>Independent Non-Executive Director</i>) Jonathan Flint (<i>Independent Non-Executive Director</i>) Birgit Nørgaard (<i>Independent Non-Executive Director</i>)
Company Secretary	Lyn Colloff
Registered Office of the Company	Brook Road Wimborne Dorset BH21 2BJ United Kingdom
Advisers	
Sole Sponsor, Joint Bookrunner and Joint Underwriter	Jefferies International Limited 68 Upper Thames Street London EC4V 3BJ United Kingdom
Joint Bookrunner and Joint Underwriter	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
English and U.S. legal advisers to the Company	Allen & Overy LLP One Bishops Square London E1 6AD United Kingdom
English and U.S. legal advisers to the Sponsor, Joint Bookrunners and Joint Underwriters	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Auditors of Cobham	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Reporting Accountants of Cobham	Deloitte LLP Athene Place 66 Shoe Lane London EC4A 3BQ United Kingdom PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom

PART IV
EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND RIGHTS
ISSUE STATISTICS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement under the Rights Issue	close of business on Friday 27 May 2016
Announcement of the Rights Issue	Wednesday 1 June 2016
Publication and posting of the Prospectus	Wednesday 1 June 2016
Dispatch of Provisional Allotment Letter (to Qualifying Non-CREST Shareholders only) ¹	Wednesday 1 June 2016
Ex entitlement date for the Rights Issue	8.00 a.m. on Thursday 2 June 2016
Admission and commencement of dealings in New Ordinary Shares, nil paid, on the London Stock Exchange	8.00 a.m. on Thursday 2 June 2016
Stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on Thursday 2 June 2016
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on Thursday 2 June 2016
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on Friday 10 June 2016
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on Monday 13 June 2016
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on Tuesday 14 June 2016
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on Thursday 16 June 2016
Results of Rights Issue to be announced through a Regulatory Information Service	by 8.00 a.m. on Friday 17 June 2016
Commencement of dealings in New Ordinary Shares fully paid on the London Stock Exchange	8.00 a.m. on Friday 17 June 2016
New Ordinary Shares credited to CREST accounts (for Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on Friday 17 June 2016
Dispatch of definitive share certificates for New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only)	by no later than Friday 24 June 2016

¹ Subject to certain restrictions relating to Overseas Shareholders. See paragraph 7 of Part IX “*Terms and Conditions of the Rights Issue*” of this Prospectus.

Each of the times and dates in the above timetable is subject to change in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, Qualifying Shareholders through a Regulatory Information Service. References to times are to London time unless otherwise stated.

RIGHTS ISSUE STATISTICS

Rights Issue Price	89 pence
Basis of Rights Issue	1 New Ordinary Share for every 2 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at the Latest Practicable Date	1,138,575,901
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue ⁽¹⁾	569,287,950
Number of Ordinary Shares in issue immediately following the completion of the Rights Issue ⁽¹⁾	1,707,863,851
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽¹⁾	33.3
Estimated gross proceeds of the Rights Issue	£506.7 million
Estimated net proceeds of the Rights Issue receivable by the Company, after deduction of estimated expenses of the Rights Issue	approximately £487 million

Notes:

(1) The actual number of New Ordinary Shares will be subject to rounding to eliminate fractions.

PART V

IMPORTANT INFORMATION

1. General

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

Investors should rely solely on the information contained in this Prospectus and the information incorporated by reference into this Prospectus (and any supplementary prospectus produced to supplement the information contained in this Prospectus) when making a decision as to whether to acquire New Ordinary Shares. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, Jefferies or BofA Merrill Lynch. In particular, the content of the Company's website does not form part of this Prospectus and prospective investors should not rely on such content. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any issue or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries taken as a whole since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to its date.

No statement in this Prospectus or incorporated by reference into this Prospectus is intended as a profit forecast or profit estimate for any period and no statement in this Prospectus or incorporated by reference into this Prospectus should be interpreted to mean that the earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial statements of the Company.

Apart from the responsibilities and liabilities, if any, which may be imposed on Jefferies or BofA Merrill Lynch by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Jefferies, BofA Merrill Lynch, nor any of their respective affiliates, directors, officers, employees or advisers accept any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this Prospectus, including its accuracy or completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the New Ordinary Shares, the Rights Issue or Admission, and nothing in this Prospectus should be relied upon as a promise of representation in this respect, whether as to the past or the future. Each of Jefferies and BofA Merrill Lynch and their respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

2. Presentation of financial information with respect to the Group

Presentation of financial information with respect to the Group

Unless otherwise indicated, the consolidated financial information with respect to the Group presented and incorporated by reference in this Prospectus is based on IFRS as adopted by the European Union and the International Financial Reporting Standards Interpretations Committee interpretations as adopted by the European Union, and those parts of the Companies Act applicable to the companies reporting under IFRS. IFRS as adopted by the European Union differs in certain aspects from the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. Further details are set out in the paragraph titled (*Critical accounting policies*) of Part XIV: "*Operating and Financial Review of the Cobham Group*" of this Prospectus. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the consolidated financial information incorporated by reference in Part XV: "*Historical Financial Information Relating to the Cobham Group*" of this Prospectus.

The Company's financial year runs from 1 January to 31 December. The consolidated financial information relating to the Group presented and incorporated by reference in this Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations that would apply if the Ordinary Shares were to be registered in the United States. Compliance with such requirements would require the modification or exclusion of certain information included in this Prospectus and the presentation of certain information which is not included in this Prospectus.

The Historical Financial Information Relating to the Cobham Group reflects the following adjustments:

- (a) the 2014 consolidated financial information has been extracted from the 2015 Annual Report and Accounts after adjusting for the fair values of assets and liabilities recognised on acquisition of the Aeroflex businesses were marked as provisional in the 2014 Annual Report and Accounts and an ongoing detailed review of these amounts has resulted in adjustments which have reduced net assets acquired by £46.0 million, with an equal increase in goodwill;
- (b) the 2013 consolidated financial information has been extracted from the 2014 Annual Report and Accounts after adjusting for the fair values of assets and liabilities acquired for FBH were marked as provisional in the 2013 Annual Report and Accounts, but following a further review, the opening balance sheet was adjusted to reflect an increase in trade and other payables of £1.8 million, a decrease in current tax liabilities of £2.5 million and an increase in deferred tax assets of £0.4 million, with goodwill being adjusted accordingly.

Presentation of unaudited pro forma financial information with respect to the Group

Unaudited pro forma financial information

In this Prospectus, any reference to “pro forma” financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part XVI: “*Unaudited Pro Forma Financial Information of the Cobham Group*” of this Prospectus. The unaudited pro forma financial information contained in Part XVI: “*Unaudited Pro Forma Financial Information of the Cobham Group*” of this Prospectus has been prepared on the basis of notes set out therein to illustrate the effect of the issue of the Rights Issue on the net assets of the Group as if the Rights Issue had occurred on 1 April 2016.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. Future results of operations may differ materially from those presented in the combined financial information due to various factors. The unaudited pro forma financial information has not been prepared, and shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

Other

The financial information presented and incorporated by reference in this Prospectus was not prepared in accordance with U.S. Generally Accepted Accounting Principles (**U.S. GAAP**) or audited in accordance with U.S. Generally Accepted Auditing Standards (**U.S. GAAS**) or the standards of the Public Company Accounting Oversight Board (**PCAOB Standards**). No opinion or any other assurance with regard to any financial information was expressed under U.S. GAAP, U.S. GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to U.S. GAAP is provided.

Non-IFRS financial information

This Prospectus contains certain financial information that is not defined or recognised under IFRS as adopted by the European Union, including organic revenue growth, trading profit, trading margin, underlying EPS, operating cash conversion, return on invested capital and PV investment. For further information on this non-IFRS financial information, please see Part XIV: “*Operating and Financial Review of the Cobham Group—Key performance indicators*”.

Rounding

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

Currencies

Unless otherwise indicated, in this Prospectus, all references to **pounds sterling, sterling, £ or pence** are to the lawful currency of the United Kingdom, all references to **U.S. dollars or US\$** are to the lawful currency of the United States, all references to **euro, € or EUR** are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and all references to **AUD or A\$** are to the lawful currency of Australia.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. For the majority of members of the Group in the United Kingdom, the functional currency is pounds sterling and the Group presents its financial statements in pounds sterling.

The basis of translation of foreign currency transactions and amounts in the financial information set out in Part XIV: “*Operating and Financial Review of the Cobham Group*” of this Prospectus is described in each Part. Information derived from this financial information set out elsewhere in this Prospectus has been translated on the same basis.

The tables below show the period-end average, high and low exchange rates of the pound sterling per U.S. dollar, per euro, per Australian dollar and per Danish krone for each of the five years ended 31 December 2011, 2012, 2013, 2014 and 2015 and for each full month in 2016 up to the Latest Practicable Date, expressed as the number of U.S. dollars, euros, Australian dollars or Danish krone (as applicable) per £1.00 as published by Bloomberg. These rates may differ from the actual rates used in the preparation of the Company’s financial statements and other financial information appearing in this document. The average is calculated using the exchange rates set on each Business Day during the period.

<u>Year ended 31 December</u>	<i>U.S. dollar</i>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
2011	1.5509	1.6039	1.6694	1.5390
2012	1.6242	1.5851	1.6276	1.5295
2013	1.6566	1.5648	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5283	1.5872	1.4654

Month in 2016

January	1.4223	1.4408	1.4747	1.4183
February	1.3913	1.4302	1.4587	1.3876
March	1.4394	1.4251	1.4490	1.3955
April	1.4626	1.4318	1.4626	1.4068
May	1.4515	1.4531	1.4687	1.4372

<u>Year ended 31 December</u>	<i>Euro</i>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
2011	1.1967	1.1525	1.2042	1.1071
2012	1.2307	1.2332	1.2863	1.1789
2013	1.2014	1.1779	1.2328	1.1431
2014	1.2874	1.2409	1.2874	1.1912
2015	1.3559	1.3775	1.4399	1.2726

Month in 2016

January	1.3116	1.3268	1.3645	1.2981
February	1.2793	1.2886	1.3209	1.2633
March	1.2647	1.2799	1.2960	1.2618
April	1.2785	1.2622	1.2912	1.2367
May	1.3031	1.2853	1.3161	1.2604

<u>Year ended 31 December</u>	<i>Australian dollar</i>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
2011	1.5123	1.5537	1.6451	1.4828
2012	1.5643	1.5310	1.6161	1.4658
2013	1.8558	1.6228	1.8558	1.4442
2014	1.9082	1.8268	1.9216	1.7365
2015	2.0210	2.0358	2.2048	1.8424

Month in 2016

January	2.0089	2.0537	2.0860	2.0089
February	1.9458	2.0043	2.0471	1.9350
March	1.8764	1.8894	1.9484	1.8667
April	1.9237	1.8686	1.9237	1.8379
May	2.0065	1.9877	2.0427	1.9172

<u>Year ended 31 December</u>	<i>Danish krone</i>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
2011	8.8989	8.5871	8.9711	8.2576
2012	9.1818	9.1798	9.5704	8.7661
2013	8.9625	8.7849	9.1951	8.5225
2014	9.5871	9.2504	9.5871	8.8906
2015	10.1194	10.2751	10.7403	9.4703

Month in 2016

January	9.7883	9.9011	10.1797	9.6881
February	9.5429	9.6171	9.8585	9.4268
March	9.4239	9.5441	9.6663	9.4063
April	9.5151	9.3935	9.6091	9.2021
May	9.6928	9.5603	9.7869	9.3768

3. Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical fact included in this Prospectus are forward-looking statements. They appear in a number of places throughout this Prospectus and include statements regarding the Directors’ or the Group’s intentions, beliefs or current expectations concerning, among other things, its operating results, financial condition, prospects, growth, expansion plans, strategies, the industry in which the Group operates and the general economic outlook.

Forward-looking statements include, but are not limited to, statements about:

- business and management strategies and the expansion and growth of the Group’s operations;
- the Group’s estimates regarding expenses, future revenue, and future capital requirements;
- competition in the Group’s industry; and
- the continued involvement of key members of management of the Group.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and therefore are based on current beliefs and expectations about future events. Forward-looking statements are not guarantees of future performance and the Group’s actual operating results and financial condition, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group’s operating results, financial condition, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Accordingly, prospective investors should not rely on these forward-looking statements.

These forward-looking statements are further qualified by risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. Please see Part II: “*Risk Factors*” of this Prospectus.

Any forward-looking statements that the Group makes in this Prospectus speak only as at the date of the Prospectus, and none of the Company, the Directors or the Joint Bookrunners undertakes any obligation to update such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

These forward-looking statements do not seek to qualify the working capital statement contained in paragraph 20 of Part XVII: “*Additional Information*” of this Prospectus.

4. Notice to Overseas Shareholders

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and New Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province or territory of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from registration or qualification requirements. Neither this Prospectus, the Provisional Allotment Letters nor the accompanying documents constitutes an invitation or offer to sell or the solicitation of an invitation or an offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to certain very limited exceptions, neither this Prospectus nor the accompanying documents will be distributed in or into any Excluded Territory including the United States, and neither this Prospectus, the Provisional Allotment Letters nor the accompanying documents constitutes a public offer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any Shareholder with a registered address in, or who is resident or located in (as applicable), any Excluded Territory.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales and operating under the Companies Act. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-UK corporations.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this Prospectus, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. Most of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

5. Notice to all Shareholders

Any reproduction or distribution of this Prospectus or the Provisional Allotment Letters, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus and the Provisional Allotment Letters, each offeree of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares agrees to the foregoing.

The distribution of this Prospectus and any accompanying documents into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and

observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the Excluded Territories please see Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

No action has been taken by the Company or by Jefferies or by BofA Merrill Lynch that would permit an offer of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares or possession or distribution of this Prospectus, the Provisional Allotment Letters or any other offering or publicity material in any of the Excluded Territories.

6. Third Party Sources

All sources referenced in this Prospectus are publicly available or historically commissioned reports, and are not expert reports for the purposes of the Prospectus Rules. The Company has not independently verified any of the data from third party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to the Group’s market position, which are not attributed to independent sources, are based on market data or internal information currently available to the Company. The Company and the Directors confirm that information sourced from third parties has been accurately reproduced and, as far as they are aware and are able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information is used in this Prospectus, the source of such information has been given. Estimates extrapolated from these data involve risks and uncertainties and are subject to change based on various factors, including those discussed in Part II: “*Risk Factors*” of this Prospectus.

7. No incorporation of website information

The contents of the websites of the Company (including any materials which are hyper linked to such websites) do not form part of this Prospectus and prospective investors should not rely on them.

8. References to defined terms

Certain terms used in this Prospectus are defined, and certain technical and other terms used in this Prospectus are explained, in Part XVIII: “*Definitions*” of this Prospectus.

PART VI

INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 27 of Part XVII: “*Additional Information*” of this Prospectus, contain information about the Group which is relevant to this Prospectus:

- 2015 Annual Report and Accounts;
- 2014 Annual Report and Accounts; and
- 2013 Annual Report and Accounts.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this Prospectus, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus.

<u>Reference document</u>	<u>Information incorporated by reference in this Prospectus</u>	<u>Page number(s) in reference document</u>
As at and for the year ended 31 December 2015		
2015 Annual Report and Accounts	Independent Auditor’s report to the members of Cobham plc	72-76
	Consolidated income statement	78
	Consolidated statement of comprehensive income	79
	Consolidated balance sheet	80
	Consolidated statement of changes in equity	81
	Consolidated cash flow statement	82
	Notes to the Group financial statements	83-118
As at and for the year ended 31 December 2014		
2014 Annual Report and Accounts	Independent Auditor’s report to the members of Cobham plc	70-74
	Consolidated income statement	76
	Consolidated statement of comprehensive income	77
	Consolidated balance sheet	78
	Consolidated statement of changes in equity	79
	Consolidated cash flow statement	80
	Notes to the Group financial statements	81-117
As at and for the year ended 31 December 2013		
2013 Annual Report and Accounts	Independent Auditor’s report to the members of Cobham plc	70-73
	Consolidated income statement	74
	Consolidated statement of comprehensive income	75
	Consolidated balance sheet	76-77
	Consolidated statement of changes in equity	78
	Consolidated cash flow statement	79
	Notes to the Group financial statements	80-124

PART VII

LETTER FROM THE CHAIRMAN OF THE COMPANY

Cobham plc

(Incorporated and registered in England and Wales with registered number 30470)

Registered and Head Office

Cobham plc
Brook Road
Wimborne
Dorset
BH21 2BJ
Tel: +44 (0)1202 882020

Directors

John Devaney	<i>(Non-Executive Chairman)</i>
Robert Murphy	<i>(Chief Executive Officer, Executive Director)</i>
Simon Nicholls	<i>(Chief Financial Officer, Executive Director)</i>
Mike Wareing	<i>(Senior Independent Non-Executive Director)</i>
Alison Wood	<i>(Independent Non-Executive Director)</i>
Alan Semple	<i>(Independent Non-Executive Director)</i>
Mike Hagee	<i>(Independent Non-Executive Director)</i>
Jonathan Flint	<i>(Independent Non-Executive Director)</i>
Birgit Nørgaard	<i>(Independent Non-Executive Director)</i>

1 June 2016

Dear Shareholder

1 for 2 Rights Issue

1. Introduction

On 26 April 2016, Cobham announced that it intended to carry out a rights issue in the second quarter of 2016.

The Board of Cobham subsequently confirmed today that it intends to raise £506.7 million (before expenses) by way of a rights issue.

The purpose of this document is to explain the background to and reasons for the Rights Issue and to set out the terms and conditions of the Rights Issue. The Board believes the Rights Issue to be in the best interests of Cobham and the Shareholders as a whole.

The Rights Issue is fully underwritten by Jefferies and BofA Merrill Lynch, subject to the terms of the Underwriting Agreement.

1.1 *Background to the Rights Issue*

In May 2014, the Group entered into an agreement to acquire Aeroflex, and completion of this acquisition took place on 12 September 2014. At the time of the acquisition of Aeroflex, the Board decided to raise equity via a cash placing to maintain its leverage ratio at approximately 2.5x net debt to EBITDA. The Group was expected to deleverage thereafter leading to a balance sheet target of 2.1x by the 2015 year end.

However, following the Aeroflex acquisition, the Group's leverage ratio did not reduce as expected and by year end 2015 it had reached 2.9x net debt to EBITDA. This was caused by a number of factors which have constrained cash generation and adversely impacted Group EBITDA. At the same time debt has increased in part due to the strengthening of the U.S. dollar against sterling. Approximately 90 per cent. of the Group's gross debt is denominated in U.S. dollars and the strengthening of the U.S. dollar against sterling increased net debt since the Aeroflex acquisition by approximately £162 million, which in isolation increased the Group's net debt to EBITDA ratio by 0.4x.

In defence and security markets, constraints on cash generation and factors impacting Group EBITDA include:

- Ongoing investment in the Group's engineering and development programmes, including investment in multi-year aerial refuelling development programmes in the Mission Systems Sector and major electronics upgrade programmes in the Advanced Electronics Solutions Sector. There is significant ongoing investment in the Group's balance sheet related to these activities, which will be invoiced to customers over time, and cash subsequently collected, on achievement of contractual milestones. Cobham continues to make good progress on key programmes, with low rate initial production now commencing on the A400M aircraft and the KC-46 aircraft being in flight test phase. In aggregate the Group's development programmes are expected to deliver significant long-term cash and revenue streams, once engineering/development is completed and production commences; and
- Investment in increased levels of capital expenditure to support new contract wins, in particular the Australian Maritime Safety Authority contract for airborne search and rescue (**SAR**). This contract has a value of A\$640 million over 12 years, excluding three optional years. Cobham will invest an expected A\$110 million, including the purchase and modification of four aircraft; the bulk of this being incurred over 2015 and 2016. Flying operations will commence later this year.

In commercial markets, the Group experienced unexpected and significant market headwinds in some of its short cycle commercial markets, adversely impacting earnings and cash. These include the Group's marine SATCOM and Wireless businesses with subdued market conditions being driven primarily by reduced underlying demand in Asia-Pacific, weakness in global oil and gas markets and reduced levels of research and development expenditure by prospective customers in wireless test markets. In addition, this resulted in a £42 million build-up in working capital at the 2015 year end, as conditions deteriorated rapidly. Excess inventory on hand at the 2015 year-end has now largely been shipped and the Group continues to focus on achieving sustainable improvements in working capital levels. The Group remains positive on the medium-term macro growth prospects for its communications markets.

1.2 *First Quarter 2016 Trading*

As set out in the announcement on 26 April 2016, first quarter trading was behind the Board's expectations with the Group's trading profit being £15 million (2015: £50 million). There were three principal reasons for this slow start: operational issues in the Wireless business resulting in delayed shipments and a one-off charge of £9 million; increasing headwinds in the commercial fly-in fly-out business; and deferred revenue on a small number of development programmes in the Advanced Electronics Solutions Sector. The remainder of the Group continues to trade in line with the Board's expectations, with the order book slightly ahead of the year-end position on a like-for-like basis at the end of the quarter.

The biggest adverse impact on underlying trading was in the Wireless business, where there were operational issues and delayed shipments to customers. Following a detailed operational review, Cobham decided to record a one-off £9 million charge within the Group's first half trading profit. The charge includes some additional liabilities relating to 2015 shipments and adjustments which reflect the reassessment of some accounting policies. The Group has acted to strengthen internal controls in the business and has made changes to strengthen its operational and financial management leadership teams. The Wireless order book at the end of the quarter was ahead of the prior year comparative and this, together with the recovery from the first quarter shipment issues and increased momentum in relation to the in-building wireless order opportunity pipeline, is anticipated to result in improved trading in the business as the year progresses.

Cobham also saw increasing headwinds in its commercial fly-in fly-out business in its Aviation Services Sector towards the end of the first quarter, with certain natural resources customers in Australia slowing-down their operational activities and increased competition. This development resulted in reduced flying activity in this market. In response to the increasing headwinds the business proactively removed costs, including reducing the number of aircraft and making reductions in other direct and indirect costs.

Within Cobham's Advanced Electronic Solutions Sector, a combination of technical and supplier quality issues resulted in deferred revenue on a small number of development programmes in the first quarter. Cobham is working through these issues and expects improved performance and recovery through the year.

1.3 *Reasons for the Rights Issue*

Since 2014, a combination of the increase in net debt, constraints on cash generation and adverse factors impacting the Group's level of EBITDA generation following the acquisition of Aeroflex as well as the slow start in first quarter trading means that, while the Group has significant headroom within its interest cover covenants

in its financing documents, by 30 June 2016, the Group's next lending covenant testing date, net debt to EBITDA could be around the covenant ratio of 3.5x. In light of this the Board is planning to reduce the Group's indebtedness through the Rights Issue, which it believes to be in Shareholders' best interests.

The Group's long term success is dependent upon its ability to continue to make targeted investments across its leading technologies and position itself on development programmes, which will deliver long term streams of revenue and cash, once engineering and development is completed and production commences. Reducing the indebtedness of the Group will allow management to focus on bringing the Group's development programmes to production, and insulate the Group against short-term market headwinds, while continuing its focus on operational efficiency and working capital improvement.

The Board has considered alternative options before deciding to pursue the Rights Issue, including seeking amendments to the Group's covenants under the terms of its borrowing facilities without undertaking an equity capital raising, further asset disposals, cutting or suspending the Group's dividend to shareholders and a smaller equity placing of shares on a non-preemptive basis. The Board has determined that the Rights Issue is in the best interest of the Group as it reduces leverage to a more sustainable level, which will safeguard the Group's operational and financial flexibility. The Board considers that the Group's target level of gearing should be below 2.0x net debt to EBITDA. The Rights Issue will reduce gearing towards this level, with future free cash flow generation anticipated to allow the Group to continue to delever over time whilst continuing to meet its capital allocation commitments, including necessary internal investment and dividend payments.

2. Further actions to be taken by the Group

Cobham is reviewing its Group-wide cost structures, targeting run-rate net savings of approximately £30 million per annum by 31 December 2016, with anticipated net savings of £10 million to be delivered in 2016. This will aid mitigation of trading margin pressure and support delivery of the Board's earnings expectations and the generation of future free cash flow, which will underpin further deleveraging over the medium term. The savings will be achieved from a combination of restructuring areas of demand weakness, increasing the Group's outsourcing of manufacturing and reducing the Group's overheads. The costs of achieving the savings are included in the net savings figures quoted above and will be recognised largely in Cobham's underlying trading profit, with no additional non-underlying charges anticipated.

3. Use of proceeds

The Rights Issue is expected to raise £506.7 million in gross proceeds.

Of the expected approximately £487 million of net proceeds from the Rights Issue, the Group currently intends to redeem or repurchase U.S. Private Placement Notes and repay other borrowings totalling approximately £467 million, with the balance of the net proceeds to be used for make-whole premiums pursuant to the terms of the U.S. Private Placement Notes. However, the Board will continue to evaluate whether there are more financially advantageous ways to pay down debt.

4. Financial impact of the Rights Issue

The Rights issue is expected to reduce the Group's pro forma net debt to EBITDA ratio from 2.9x as reported at 31 December 2015, to around 2x taking into account the receipt of the net proceeds of the Rights Issue and the repayment of debt.

We also draw attention to Part XVI: "*Unaudited Pro Forma Financial Information of the Cobham Group*" of this Prospectus which contains an unaudited pro forma statement of net assets that illustrates the effect of the Rights Issue and the repayment of debt on the Group's net assets as at 1 April 2016 as if the Rights Issue had been undertaken at that date.

5. Principal terms of the Rights Issue and underwriting commitments

Cobham is proposing to raise approximately £487 million (net of expenses) by way of the Rights Issue of 569,287,950 New Ordinary Shares. The Rights Issue is being fully underwritten by the Joint Underwriters, subject to certain customary conditions, on the basis set out in the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XVII: "*Additional Information*" of this Prospectus. The Rights Issue Price of 89 pence per New Ordinary Share, which is payable in full on acceptance by no later than

11.00 a.m. on 16 June 2016, represents a 45.4 per cent. discount to the closing middle-market price of Cobham of 163.0 pence per Existing Ordinary Share on 31 May 2016, the last trading day prior to the date of this Prospectus, and a 35.7 per cent. discount to the theoretical ex-rights price of 138.3 pence per New Ordinary Share calculated by reference to the closing middle-market price on the same basis. If a Qualifying Shareholder does not take up any of his entitlement to New Ordinary Shares, his proportionate shareholding will be diluted by 33.3 per cent. However, if a Qualifying Shareholder takes up his New Ordinary Shares in full, he will, after the Rights Issue has been completed, and ignoring any fraction of an Ordinary Share, as nearly as practicable have the same proportionate voting rights and entitlements to dividends as he had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Ordinary Shares to which he is entitled, such Shareholder can instead sell his rights to those New Ordinary Shares and receive the net proceeds in cash. This is referred to as dealing in the rights “nil paid” and, subject to the fulfilment of certain conditions, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 2 June 2016.

Subject to the fulfilment of, among other things, the conditions set out below, Cobham will offer 569,287,950 New Ordinary Shares to Qualifying Shareholders at a Rights Issue Price of 89 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

1 New Ordinary Share for every 2 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus. Qualifying Non-CREST Shareholders with registered addresses in the United States or in any of the other Excluded Territories will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders in such territories will not have their CREST stock accounts credited with Nil Paid Rights, except where Cobham and the Joint Underwriters are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders, but the Joint Bookrunners will endeavour to place the aggregated Nil Paid Rights in respect of such New Ordinary Shares in the market for the benefit of Cobham.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue.

The Rights Issue is conditional upon, among other things:

- Admission of the New Ordinary Shares (nil paid) becoming effective by not later than 8.00 a.m. on 2 June 2016 (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 6 June 2016);
- save to the extent that, in the sole opinion of the Joint Underwriters, would not be material in the context of the Rights Issue, Cobham having complied with its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Joint Underwriters, by the times and dates specified in the Underwriting Agreement;
- the warranties on the part of Cobham under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement and immediately before Admission;
- no matter requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplement being published by Cobham at any time before Admission; and
- in the opinion of the Joint Underwriters (acting in good faith), no material adverse change having occurred in respect of Cobham prior to Admission.

The results of the Rights Issue, including the aggregate amount raised is expected to be announced by Cobham to a Regulatory Information Service by 8.00 a.m. on 17 June 2016.

Applications have been made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to

trading on its main market for listed securities. It is expected that Admission of the New Ordinary Shares, nil paid, will become effective and dealings (for normal settlement) in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 2 June 2016.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB00B07KD360 and the SEDOL number of the New Ordinary Shares is B07KD36. The ISIN number for the Nil Paid Rights is GB00BZBVN521 and the ISIN for the Fully Paid Rights is GB00BZBVN745.

Some questions and answers, together with further terms and conditions of the Rights Issue, are set out in Part IX: "*Terms and Conditions of the Rights Issue*" and Part X: "*Questions and Answers about the Rights Issue*" of this Prospectus.

6. Information relating to Cobham

The Group is an international technology and services business, employing around 11,000 people across five continents with customers and partners in over 100 countries. The Group offers a range of technologies and services to solve challenging problems across commercial, defence and security markets. It has strong market positions in air-to-air refuelling; aviation services; wireless; audio, video and data communications, including satellite communications; defence electronics; life support and mission equipment. The Group operates in four Sectors:

- *Communications and Connectivity* – providing aircraft and in-building communication equipment, satellite communication equipment for land, sea and air applications and test and measurement instrumentation for radio frequency, cellular communications and wireless networking;
- *Mission Systems* – providing safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting 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, including weapon carriage and release systems and missile control actuation sub-systems;
- *Advanced Electronic Solutions* – providing critical solutions for communication 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; and
- *Aviation Services* – delivering outsourced aviation services for military and commercial customers worldwide including military training, special mission flight operations, outsourced commercial aviation, fly-in fly-out services to the natural resources industry and aircraft engineering services.

Further information on each sector is set out at paragraph 5 of Part XI: "*Business Overview of the Cobham Group*" of this Prospectus.

The Group operates out of manufacturing locations in the United States, the United Kingdom and continental Europe, as well as satellite locations and sales offices across the world that provide a presence in faster-growth markets. In addition, the Group's Aviation Services Sector operates from airport bases in Australia, the UK and elsewhere in the world.

In the year ended 31 December 2015, Cobham reported trading profit of £332 million (2014: £287 million; 2013: £318 million) on revenue of £2,072.0 million (2014: £1,851.7 million; 2013: £1,789.7 million). As at 1 April 2016, as disclosed on page 106, the Group's net debt was £1,314 million.

The Group's vision remains to be a leading global technology and services innovator, respected for providing solutions to the most challenging problems.

Cobham's strategy is to build and maintain leading positions in the markets in which it operates by leveraging innovative technology and know-how and combining this with an understanding of customer needs. Supporting this strategy, the Group has five strategic actions which are: to focus on its customers and develop close

relationships with them; to improve operational performance to ensure customers' needs are being met; to invest in innovative and differentiated technology to win new customers and grow market share; to allocate capital to optimise revenue and profits; and to enhance skills and capabilities within the Group's businesses, to create long-term competitive advantage.

Cobham's current focus is on organic execution, including the delivery of revenue growth, increased cash generation, improved working capital management and the completion of the integration of the former Aeroflex businesses.

7. Risk factors

Shareholders should consider fully and carefully the risk factors associated with the Group. We draw attention to the risk factors set out in Part II: "Risk Factors" of this Prospectus.

8. Current trading and outlook

On 26 April 2016, Cobham made the following statement in relation to the Group's outlook:

Following the slow start in the first quarter, the Board now anticipates that Group underlying trading profit will be approximately £15m below its previous expectations for the full year. This is primarily due to a combination of the impact of increased headwinds in the commercial fly-in fly-out business in Australia together with the one-off charge of £9m in Wireless and short-term resolution of operational issues. The Board also expects there will be a more pronounced earnings bias to the second half of the year.

The Board confirms the outlook for the year ended 31 December 2016 remains consistent with the 26 April 2016 announcement.

9. Employee share plans

The number of Ordinary Shares subject to awards or options outstanding under the Share Schemes and the exercise price (if any) may be adjusted, in accordance with the rules of the relevant Share Scheme, to take account of the issue of the New Ordinary Shares pursuant to the Rights Issue. Holders of awards or options under the Share Schemes will be contacted separately and in due course with further information on how their options and awards may be affected by the Rights Issue. Participants in the Company's Share Incentive Plan (the **SIP**) will be contacted by the trustee of the SIP with regard to the impact of the Rights Issue on the Ordinary Shares held for them under the SIP.

10. Dividend policy

The Board confirms its intention to pay a rebased total dividend in respect of 2016 which is equal in absolute quantum to the £126 million dividend announced for 2015. This quantum will be paid over the total share capital, as enlarged by the Rights Issue, with the additional shares first qualifying for the 2016 interim dividend to be paid on 4 November 2016. The total dividend in respect of 2016 equates to approximately 7.4 pence per share based on the enlarged share capital.

The Board believes that over time the Group's ability to convert a high proportion of its earnings into cash is unchanged and therefore it remains committed to its stated dividend policy, which is broadly to align future dividend increases with underlying earnings growth, while rebuilding cover over time.

11. Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this Prospectus, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraph 7 of Part IX: "Terms and Conditions of the Rights Issue" of this Prospectus. In particular, subject to certain very limited exceptions, the Rights Issue is not being made to Shareholders in the United States or into any of the other Excluded Territories.

Notwithstanding any other provision of this Prospectus or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company and the Joint Underwriters in their absolute discretion are satisfied that the transaction in question will not violate applicable laws.

The Company has made arrangements under which the Joint Underwriters will try to find subscribers for the New Ordinary Shares provisionally allotted to such Shareholders (and other Shareholders who have not taken up their rights) by 4.30 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Joint Underwriters find subscribers and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), such Shareholders will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5. If any person in the United States or any other Excluded Territory receives a Provisional Allotment Letter, that person should not seek to, and will not be able to, take up his rights thereunder, except as described in paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus. The provisions of paragraph 6 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus will apply to Overseas Shareholders who cannot or do not take New Ordinary Shares provisionally allotted to them.

Persons who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

12. Taxation

Information on UK taxation with regard to the Rights Issue is set out in paragraph 15 of Part XVII: “*Additional Information*” of this Prospectus. This information is intended only as a general guide to the current tax position in the UK.

If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your own independent professional adviser without delay.

13. Actions to be taken

If you are a Qualifying Non-CREST Shareholder other than a Shareholder with a registered address, or who is resident or located (as applicable), in one of the Excluded Territories or, subject to certain exceptions, the United States, you have been sent a Provisional Allotment Letter with this Prospectus giving you details of your Nil Paid Rights. If you are a Qualifying CREST Shareholder, you have not been sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 2 June 2016. Such crediting does not in itself constitute an offer of New Ordinary Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 2 June 2016, please forward this document and any Provisional Allotment Letter at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instructions regarding split applications in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 16 June 2016, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders who take up their rights other than Shareholders with a registered address, or located or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be dispatched by no later than 24 June 2016 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 a.m. on 17 June 2016.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Rights Issue. If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

14. Further information

Your attention is drawn to the risk factors in Part II: “*Risk Factors*” and the additional information set out in Part XVII: “*Additional Information*” of this Prospectus. Investors should read the whole of this Prospectus and the information incorporated by reference and not rely solely on information summarised in this letter, including the summarised financial information.

15. Board recommendation

The Board believes the Rights Issue to be in the best interests of Cobham and the Shareholders as a whole.

The Directors who hold in aggregate 257,510 Existing Ordinary Shares, representing 0.02 per cent. of Cobham’s existing issued ordinary share capital as at the Latest Practicable Date intend to take up in full the New Ordinary Shares to which he or she is entitled under the Rights Issue.

Yours faithfully

John Devaney
Non-Executive Chairman

PART VIII

INFORMATION CONCERNING THE NEW ORDINARY SHARES

1. Description of the type and class of New Ordinary Shares being offered

The New Ordinary Shares to be issued by Cobham will be ordinary shares with a nominal value of 2.5 pence each, with ISIN GB00B07KD360, being the same ISIN as that of the Existing Ordinary Shares. Following Admission of the New Ordinary Shares, nil paid, which is expected to occur on 2 June 2016, Cobham will have one class of Ordinary Shares and one class of Preference Shares, the rights of which are set out in the Articles.

When issued (fully paid) the New Ordinary Shares will be credited as fully paid and will be free from all liens, equities, charges, encumbrances and other interests.

2. Legislation under which the New Ordinary Shares will be created

The New Ordinary Shares will be created under the Companies Act.

3. Listing

The Existing Ordinary Shares are listed on the Official List and are admitted to trading on the main market for listed securities of the London Stock Exchange. Applications have been made to the FCA for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities.

It is expected that Admission of the New Ordinary Shares, nil paid, will become effective, and that dealings for normal settlement in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 2 June 2016.

4. Form and currency of the New Ordinary Shares

The New Ordinary Shares will, when issued, be in registered form and will be capable of being held in certificated and uncertificated form. The Registrars are Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of Cobham and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of Cobham). No share certificates will be issued in respect of the New Ordinary Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those shares in accordance with applicable legislation. The New Ordinary Shares will be denominated in pounds sterling.

5. Rights attached to the New Ordinary Shares

Each New Ordinary Share will rank *pari passu* in all respects with each other and with each Existing Ordinary Share, and will have the same rights and restrictions as each other and as each Existing Ordinary Share. There are no restrictions on the free transferability in relation to the New Ordinary Shares or Existing Ordinary Shares. Further details of the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares are set out in paragraph 4 of Part XVII: “*Additional Information*” of this Prospectus.

6. Resolutions, authorisations and approvals relating to the New Ordinary Shares

At the Annual General Meeting held on 28 April 2016, the Resolutions were passed by the requisite majorities of Shareholders. The New Ordinary Shares will be allotted and issued pursuant to the authorities granted under of the Resolutions.

7. Dilution

Following the issue of the New Ordinary Shares to be allotted pursuant to the Rights Issue, Qualifying Shareholders who do not participate in the Rights Issue will suffer a total dilution of up to 33.3 per cent. of their interests in Cobham.

8. Taxation

Please see paragraph 15 of Part XVII: “*Additional Information*” of this Prospectus for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of Ordinary Shares, irrespective of their tax residence).

PART IX

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. SUMMARY OF THE RIGHTS ISSUE

Cobham is proposing to raise gross proceeds of £506.7 million by way of a 1 for 2 Rights Issue at a price of 89 pence per New Ordinary Share.

The Rights Issue Price of 89 pence per New Ordinary Share represents a discount of approximately 45.4 per cent. to the Closing Price of an Existing Ordinary Share of 163.0 pence on 31 May 2016 (being the last trading day prior to the date of this Prospectus) and an approximately 35.7 per cent. discount to the theoretical ex-rights price of 138.3 pence per New Ordinary Share calculated by reference to that Closing Price.

Of the expected approximately £487 million of net proceeds from the Rights Issue, the Group currently intends to redeem or repurchase U.S. Private Placement Notes and repay other borrowings totalling approximately £467 million, with the balance of the net proceeds to be used for make-whole premiums pursuant to the terms of the U.S. Private Placement Notes. However, the Board will continue to evaluate whether there are more financially advantageous ways to pay down debt.

The Joint Underwriters' obligations under the Underwriting Agreement are conditional (although, with certain exceptions, these conditions can be waived) upon, among other things:

- Admission becoming effective by not later than 8.00 a.m. on 2 June 2016 (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 6 June 2016);
- save to the extent that, in the sole opinion of the Joint Underwriters, would not be material in the context of the Rights Issue, Cobham having complied with its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Joint Underwriters, by the times and dates specified in the Underwriting Agreement; and
- the warranties on the part of Cobham under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement and immediately before Admission;
- no matter requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplement being published by Cobham before Admission; and
- in the opinion of the Joint Bookrunners (acting in good faith), no material adverse change having occurred in respect of Cobham prior to Admission.

2. TERMS AND CONDITIONS OF THE RIGHTS ISSUE

Subject to the terms and conditions set out in this Prospectus (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter), the New Ordinary Shares are being offered by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Shareholders with registered addresses in the Excluded Territories) on the following basis:

1 New Ordinary Share at 89 pence for every 2 Existing Ordinary Shares

held and registered in their name at the close of business on the Record Date.

Qualifying Shareholders who do not, or Shareholders who are not permitted to, take up any rights (for example because they are Shareholders with a registered address in the Excluded Territories) will have their proportionate shareholdings in Cobham diluted by approximately 33.3 per cent. following the Rights Issue. Those Qualifying Shareholders who are permitted to, and do, take up all of their rights to the New Ordinary Shares provisionally allotted to them will, subject to the rounding down of fractions, have the same proportionate voting and distribution rights as held by them at the Record Date.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings to calculate entitlements under the Rights Issue, as will holdings under different designations and in different accounts.

Fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Ordinary Shares.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus or, in the

case of Qualifying Non-CREST Shareholders, a Provisional Allotment Letter into a jurisdiction other than the United Kingdom is drawn to paragraphs 7 and 8 of this Part IX. In particular, subject to the provisions of paragraph 7 of this Part IX, Qualifying shareholders with registered addresses in the Excluded Territories will not be sent any Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

The New Ordinary Shares will be issued pursuant to the authority granted under the Resolutions passed at the Company's Annual General Meeting held on 28 April 2016. The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the rights to all future dividends or other distributions made, paid or declared after the date of their issue.

Application will be made to the FCA for the New Ordinary Shares (nil and fully paid) to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on 2 June 2016.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue.

The Existing Ordinary Shares are already admitted to CREST. The Existing Ordinary Shares are, and, when issued, the New Ordinary Shares will be, in registered form and capable of being held in certificated form or uncertificated form via CREST.

Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted to CREST. Euroclear requires Cobham to confirm to it that certain conditions are satisfied before Euroclear will admit the New Ordinary Shares to CREST. It is expected that these conditions will be satisfied on Admission of the New Ordinary Shares. As soon as practicable after Admission of the New Ordinary Shares, Cobham will confirm this to Euroclear.

Subject to any relevant conditions being satisfied, it is expected that:

- (a) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in any of the Excluded Territories) with such Shareholders' entitlement to Nil Paid Rights, as soon as practicable after 8.00 a.m. on 2 June 2016;
- (b) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear on 2 June 2016, as soon as practicable after Cobham has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (c) the New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as practicable after 8.00 a.m. on 17 June 2016; and
- (d) share certificates for the New Ordinary Shares will be posted to Qualifying Non-CREST Shareholders (or their renounees) who validly take up their rights by no later than 24 June 2016 (at their own risk).

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many instruction (**MTM Instruction**) to Euroclear will be deemed to have given the representations and warranties set out in paragraph 5.2 of this Part IX, unless such requirement is waived by Cobham.

The Joint Underwriters have agreed to fully underwrite the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriting Agreement is conditional upon certain conditions being satisfied and certain undertakings not being breached, and it may be terminated by either of the Joint Underwriters prior to Admission upon the occurrence of certain specified events (in which case the Rights Issue will not proceed). The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Joint Bookrunners may arrange sub-underwriting for some, all or none of the New Ordinary Shares for which they might otherwise be required to subscribe pursuant to the terms of the Underwriting Agreement. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 13.1 of Part XVII: "*Additional Information*" of this Prospectus.

The Joint Bookrunners and any of their respective affiliates may engage in certain trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of Cobham and related or other

securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Ordinary Shares). Neither of the Joint Bookrunners intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Joint Bookrunners and their affiliates may enter into certain financing arrangements (including swaps or contracts for difference) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

All documents and cheques posted to, by, from, or on behalf of Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part IX.

3. ACTION TO BE TAKEN

The action to be taken by Qualifying Shareholders in respect of the New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and (subject to certain limited exceptions as set out in paragraph 7 of this Part IX) do not have a registered address in the Excluded Territories, please refer to paragraphs 4, 6 and 8-12 (inclusive) of this Part IX.

If you are a Qualifying CREST Shareholder and (subject to certain limited exceptions as set out in paragraph 7 of this Part IX) do not have a registered address, or are located or resident, in the Excluded Territories, please refer to paragraph 5, 6 and 8-12 (inclusive) of this Part IX and to the CREST Manual for further information on the CREST procedures referred to below.

CREST Sponsored Members should refer to their CREST Sponsors, as only their CREST Sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

If you are a Qualifying CREST Shareholder or a Qualifying Non-CREST Shareholder who has a registered address, or is located or resident, in any of the Excluded Territories, please refer to paragraph 7 below of this Part IX.

If you have any questions relating to this Prospectus, or the completion and return of the Provisional Allotment Letter, please telephone the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6387 from within the United Kingdom or +44 (0)121 415 0956 if calling from outside the United Kingdom. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS

4.1 General

The Provisional Allotment Letter sets out:

- (a) the holding of Existing Ordinary Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (b) the aggregate number and cost of New Ordinary Shares in certificated form provisionally allotted to such Qualifying Non-CREST Shareholder;
- (c) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (d) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that dealings commence at 8.00 a.m. on 2 June 2016, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 16 June 2016.

If the Rights Issue is delayed, the expected timetable, as set out in Part IV: “*Expected Timetable of Principal Events and Rights Issue Statistics*” of this Prospectus, will be adjusted accordingly and the revised dates will be announced through a Regulatory Information Service, in which case all relevant references in this Prospectus should be read as being subject to such adjustment.

4.2 Procedure for acceptance and payment

(a) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights should complete the Provisional Allotment Letter in accordance with its instructions thereon. The Provisional Allotment Letter must be returned, together with the cheque or banker’s draft in pounds sterling, made payable to “Equiniti Limited re Cobham plc Rights Issue A/C” and crossed “A/C payee only”, for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 16 June 2016. A reply-paid envelope is enclosed for use within the United Kingdom only. If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery (for instance, allowing four days for first class post within the United Kingdom). Please note that payments via CHAPs, BACS or electronic transfer will not be accepted.

Once your Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, you will have accepted the offer to subscribe for the number of New Ordinary Shares specified on your Provisional Allotment Letter.

(b) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to paragraph 4.6 of this Part IX.

(c) *Qualifying Non-CREST Shareholders who do not wish to take up their rights at all*

Holders of Provisional Allotment Letters who do not wish to take up their rights at all do not need to do anything. If Qualifying Non-CREST Shareholders do not return the Provisional Allotment Letter by 11.00 a.m. on 16 June 2016, the Company has made arrangements under which the Joint Bookrunners will try to find investors to take up such rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable commission and amounts in respect of value added tax which are not recoverable), Qualifying Non-CREST Shareholders so entitled will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable commission and amounts in respect of value added tax which are not recoverable), so long as the amount in question is at least £5.00.

(d) *Discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 16 June 2016, the provisional allotment will be deemed to have been declined and will lapse. However, Cobham and the Joint Bookrunners may, but shall not be obliged to, treat as valid acceptances in respect of which remittances for the full amount are received prior to 11.00 a.m. on 16 June 2016 from an authorised person (as defined in Section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, by a time and date which are satisfactory to Cobham and the Joint Bookrunners, in their sole discretion.

Cobham may also (in its absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

Cobham reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to Cobham to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in, an Excluded Territory.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 4.2 is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this Prospectus and the Provisional Allotment Letter and subject to the Articles.

(e) *Payments*

All payments made by Qualifying Non-CREST Shareholders must be made in pounds sterling by cheque or banker's draft made payable to "Equiniti Limited re Cobham plc Rights Issue A/C" and crossed "A/C payee only". Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has inserted the full name of the account holder and have added the building society or bank branch stamp. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be paid on payments made before they are due and any interest on such payments ultimately will accrue for the benefit of Cobham. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and Cobham may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter by a Qualifying Non-CREST Shareholder will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been allotted to Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Shareholders' acceptances being treated as invalid, Cobham may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Qualifying Shareholders and hold the proceeds of sale (net of Cobham's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholders pursuant to the provisions of this Part IX in respect of the acquisition of such shares) on behalf of such Qualifying Shareholders. None of Cobham, the Joint Bookrunners or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Shareholders as a result.

4.3 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the **verification of identity requirements**). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment (the **applicant**), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and agree for the Receiving Agent to make a search using a credit reference agency for the purpose of confirming such identity; where deemed necessary a record of the search will be retained. Return of a Provisional Allotment Letter by a Qualifying Non-CREST Shareholder will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements applies to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute

discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, Cobham or the Joint Bookrunners will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements applies, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, Cobham may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, as Cobham may in its absolute discretion allow, Cobham will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose Cobham will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by Cobham on trust for the applicant, subject to the requirements of the Money Laundering Regulations.

The verification of identity requirements will not usually apply if:

- (a) the applicant is an organisation required to comply with the EU Money Laundering Directive (2005/60/EC) as amended;
- (b) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;
- (d) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or
- (e) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

When the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) payments must be made by cheque or banker's draft in pounds sterling drawn on a branch of a bank or building society in the United Kingdom and bear a United Kingdom bank sort code in the top right-hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re Cobham plc Rights Issue A/C" and crossed "A/C payee only". Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has inserted the full name of the account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Provisional Allotment Letter; or
- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, members of the Gulf Cooperation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, India, Japan, Mexico, New Zealand, Norway, the Republic of Korea, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

In order to confirm the acceptability of any written assurance referred to in paragraph (b) above, or in any other case, the applicant should contact the Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). The telephone number of the Shareholder Helpline is 0333 207 6387 or +44 (0)121 415 0956 if calling from overseas. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Calls from outside the United Kingdom are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

4.4 Dealings in Nil Paid Rights

Assuming that the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 2 June 2016. A transfer of Nil Paid Rights can be made (in the case of Qualifying Non-CREST Shareholders) by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11.00 a.m. on 16 June 2016.

4.5 Dealings in Fully Paid Rights

After acceptance by a Qualifying Non-CREST Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter, the resultant Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only), to the Receiving Agent so as to be received not later than 11.00 a.m. on 16 June 2016. To do this, a Qualifying Non-CREST Shareholder will need to have his fully paid Provisional Allotment Letter returned to him after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. The New Ordinary Shares are expected to be held in registered form and transferable in the usual way from 17 June 2016.

4.6 Renunciation and splitting of Provisional Allotment Letters

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split up to 3.00 p.m. on 14 June 2016 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights represented by a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 16 June 2016 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights represented by that Provisional Allotment Letter but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom by not later than 3.00 p.m. on 14 June 2016, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or

(as appropriate) Fully Paid Rights to be represented by each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (as appropriate) the Fully Paid Rights represented by each split Provisional Allotment Letter. Once the holder’s split Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on that split Provisional Allotment Letter.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete the boxes at the bottom on page 1 of the Provisional Allotment Letter and Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque for the appropriate amount made payable to “Equiniti Limited re Cobham plc Rights Issue A/C” and crossed “A/C payee only” and with the Allotment Number, which appears on page 1 of the Provisional Allotment Letter, written on the reverse of the cheque or banker’s draft to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or banker’s draft must be received by the Receiving Agent by 11.00 a.m. on 16 June 2016, being the last time and date for acceptance. Once the holder’s Provisional Allotment Letter, duly completed, and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on their Provisional Allotment Letter.

Cobham reserves the right to refuse to register any renunciation in favour of any person in respect of whom the Board believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

4.7 Registration in names of Qualifying Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all the New Ordinary Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this Prospectus and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the New Ordinary Shares is expected to be despatched to such Qualifying Non-CREST Shareholders by post no later than 24 June 2016.

4.8 Registration in names of persons other than Qualifying Shareholders originally entitled

To register the New Ordinary Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renounee is a CREST Member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed (see paragraph 5.2 of this Part IX)) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by not later than 11.00 a.m. on 16 June 2016. Registration cannot be effected unless and until the New Ordinary Shares represented by a Provisional Allotment Letter are fully paid for.

The New Ordinary Shares represented by two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y on page 4 of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number (as shown on page 1 of the Provisional Allotment Letter), the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

4.9 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a

renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. As provided below in this paragraph 4.9 or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service (the CCSS). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS, and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If a Shareholder wishes to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, he must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited.

A holder of the Nil Paid Rights (or, as appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, as appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 16 June 2016. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 16 June 2016) is 3.00 p.m. on 13 June 2016.

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and for the avoidance of doubt, any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST Sponsored Members should contact their CREST Sponsors as only their CREST Sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST Sponsored Members.

4.10 Issue of share certificates in respect of New Ordinary Shares

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 24 June 2016 (at the risk of the person(s) entitled to them) to accepting Qualifying Non-CREST Shareholders or to the person(s) entitled to them at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register, and/or, in the case of renounced Provisional Allotment Letters, against the registration receipt, Form Y, bearing the stamp of the Registrars.

5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS OR FULLY PAID RIGHTS IN CREST

5.1 General

Subject as provided in paragraph 7 of this Part IX in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his

entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 2 June 2016. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights and Fully Paid Rights each constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless Cobham decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Prospectus may be adjusted as appropriate. References to dates and times in this Prospectus should be read as being subject to any such adjustment. Cobham will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. CREST Sponsored Members should consult their CREST Sponsor if they wish to take up their entitlements as only their CREST Sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with their Nil Paid Rights or Fully Paid Rights.

5.2 Procedure for acceptance and payment

(a) *MTM Instruction*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, in the case of CREST Sponsored Members, procure that their CREST Sponsor sends) an MTM Instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph (i) above.

(b) *Contents of MTM Instructions*

The MTM Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA27;

- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA231801;
- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before the 11.00 a.m. on 16 June 2016);
- (ix) the Nil Paid Rights ISIN which is GB00BZBVN521;
- (x) the Fully Paid Rights ISIN which is GB00BZBVN745;
- (xi) the corporate action number (as this term is defined in the CREST Manual) for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- (xii) a contact name and telephone number (in the free format shared note field); and
- (xiii) a priority of at least 80.

(c) *Valid acceptance*

An MTM Instruction complying with each of the requirements as to authentication and contents set out in paragraph (b) above will constitute a valid acceptance where either:

- (i) the MTM Instruction settles by not later than 11.00 a.m. on 16 June 2016; or
- (ii) at the discretion of Cobham: (A) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 16 June 2016; (B) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM Instruction at 11.00 a.m. on 16 June 2016; and (C) the relevant MTM Instruction settles by 2.00 p.m. on 16 June 2016 (or such later date as Cobham has determined).

An MTM Instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST Sponsored Member's CREST Sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the Network Provider's Communications Host.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST Sponsored Member who makes a valid acceptance in accordance with this paragraph 5.2 of this Part IX represents, warrants and undertakes to Cobham that he/she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her or by his/her CREST Sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 a.m. on 16 June 2016 and remains capable of settlement at all times after that until 2.00 p.m. on 16 June 2016 (or until such later time and date as Cobham may determine). In particular, the CREST member or CREST Sponsored Member represents, warrants and undertakes that at 11.00 a.m. on 16 June 2016 and at all times thereafter until 2.00 p.m. on 16 June 2016 (or until such later time and date as Cobham may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST Sponsored Members should contact their CREST Sponsor if they are in any doubt. In addition, such CREST Sponsored Member taking up entitlements makes the representations and gives the warranties set out in paragraph 8 of this Part IX.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST Sponsored Member for such amount to be debited or the CREST member's or CREST Sponsored Member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST Sponsored Member, Cobham may (in its absolute discretion as to manner, timing and terms)

make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST Sponsored Member and hold the proceeds of sale (net of Cobham's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST Sponsored Member pursuant to the provisions of this Part IX in respect of the acquisition of such shares) on behalf of such CREST member or CREST Sponsored Member. None of Cobham, the Joint Bookrunners nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST Sponsored Member as a result.

(e) *CREST procedures and timings*

CREST members and CREST Sponsors (on behalf of CREST Sponsored Members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Sponsored Member, to procure that his CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 16 June 2016. In this connection, CREST members and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(f) *CREST member's undertaking to pay*

A CREST member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5.2 of this Part IX: (i) undertakes to pay to Cobham, or procure the payment to Cobham of the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as Cobham may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST Sponsored Member) to pay the amount payable on acceptance); and (ii) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this Prospectus and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST member or CREST Sponsored Member, Cobham may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST Sponsored Member and hold the proceeds of sale (net of Cobham's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST member or CREST Sponsored Member pursuant to the provisions of this Part IX in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST Sponsored Member (whichever is lower) on trust for such CREST member or CREST Sponsored Member. In these circumstances, neither the Joint Bookrunners nor Cobham shall be responsible for, or have any liability for, any loss, expenses or damage arising as a result.

(g) *Discretion as to rejection and validity of acceptances*

Cobham may agree (having consulted with the Joint Bookrunners and taken into account their reasonable comments) to:

- (i) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5.2 of this Part IX. Where an acceptance is made as described in this paragraph 5.2 of this Part IX which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 p.m. on 16 June 2016 (or by such later time and date as Cobham may determine), Cobham shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5.2 of this Part IX, that there has been a breach of the representations, warranties and

undertakings set out or referred to in this paragraph 5.2 of this Part IX unless Cobham and the Joint Bookrunners are aware of any reason outside the control of the CREST member or CREST Sponsor (as appropriate) concerned for the MTM instruction to settle;

- (ii) treat as valid (and binding on the CREST member or CREST Sponsored Member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5.2 of this Part IX;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as Cobham may determine;
- (iv) treat a properly authenticated dematerialised instruction (the **first instruction**) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either Cobham or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and/or
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST Sponsored Member or (where applicable) CREST Sponsor, the CREST member or CREST Sponsored Member is unable validly to take up all of part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

5.3 Money Laundering Regulations

If a person holds his Nil Paid Rights in CREST and applies to take up all or part of his entitlement as agent for one or more persons and he is not a United Kingdom or EU-regulated person or institution (e.g. a United Kingdom financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf such person is making the application. Such person must therefore contact the Receiving Agent before sending any MTM Instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above is an undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with Cobham, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement, but without prejudice to the right of Cobham to take proceedings to recover any loss suffered by as a result of failure by the applicant to provide satisfactory evidence.

5.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 2 June 2016. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 16 June 2016.

5.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the

same manner as any other security that is admitted to CREST. The latest time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 16 June 2016. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 16 June 2016.

After 17 June 2016, the New Ordinary Shares will be in registered form and transferable in the usual way (see paragraph 5.7 of this Part IX).

5.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, as appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 10 June 2016, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, as appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 16 June 2016. It is recommended that reference is made to the CREST Manual for details of such procedures.

5.7 Issue of New Ordinary Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 16 June 2016 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from 8.00 a.m. on the next Business Day (expected to be 17 June 2016).

5.8 Right to allot/issue in certificated form

Despite any other provision of this Prospectus, Cobham reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

6. PROCEDURE IN RESPECT OF NEW ORDINARY SHARES NOT TAKEN UP AND WITHDRAWAL RIGHTS

6.1 Procedure in respect of New Ordinary Shares not taken up

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 16 June 2016 in accordance with the procedure laid down for acceptances and payment, then the Joint Bookrunners will use reasonable endeavours to procure, by not later than 4.30 p.m. on 20 June 2016, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up if an amount which is not less than the total of the Rights Issue Price and the expenses of procuring such subscribers (including any related commissions and amounts in respect of VAT which are not recoverable) can be obtained.

Notwithstanding the above, the Joint Bookrunners may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, or if procurement of subscribers would give rise to a breach of law, the relevant New Ordinary Shares will be subscribed for by the Joint Bookrunners as principals pursuant to the Underwriting Agreement or their sub-underwriters (if any), in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Rights

Issue Price and the expenses of procuring such subscribers, including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments on the basis set out below, save that no payment will be made of amounts of less than £5.00, which amounts will be aggregated and will ultimately accrue to the benefit of Cobham:

- (a) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (c) to the extent not provided above, where an Overseas Shareholder received neither a Provisional Allotment Letter nor a credit to his/her CREST account, to that Overseas Shareholder.

Any transactions undertaken pursuant to this paragraph 6.1 of this Part IX shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of Cobham, the Joint Bookrunners or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above.

Cheques for the amounts due will be sent in pounds sterling, by post, at the risk of the person(s) entitled, to their registered addresses (in the case of joint holders, to the registered address of the first named), provided that where any entitlement concerned was held in CREST, the amount due will, unless Cobham (in its absolute discretion) otherwise determines, be satisfied by Cobham procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST Sponsored Member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Shareholders will not be entitled to apply for New Ordinary Shares in excess of their entitlement.

6.2 Withdrawal rights

Qualifying Shareholders wishing to exercise statutory withdrawal rights after the issue by Cobham of a document supplementing this Prospectus must do so by sending a written notice of withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, in writing to the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom, so as to be received no later than two Business Days after the date on which the supplementary document is published.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Ordinary Shares taken up and the allotment of those New Ordinary Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 6.1 of this Part IX as if the entitlement had not been validly taken up.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 6.2 of this Part IX are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Shareholders are advised to seek independent legal advice.

For further details, Shareholders should contact the Shareholder Helpline which is available between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6387 (from inside the United Kingdom) or +44 (0)121 415 0956 (from outside the United Kingdom). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Rights Issue nor give any financial, legal, tax or investment advice.

7. OVERSEAS SHAREHOLDERS

This Prospectus has been approved by the FCA, being the competent authority in the United Kingdom. Accordingly, the making of the Rights Issue to persons resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of this Part IX are intended as a general guide only and any Overseas Shareholder who is in doubt as to his/her position should consult his/her professional adviser without delay.

7.1 General

The distribution of this Prospectus or any other documents issued by the Company in connection with the Rights Issue and the making of the Rights Issue to persons who have registered addresses in, or who are located resident, or who are generally resident in, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom, or to persons who are agents or nominees of or are custodians, trustees or guardians for persons located or resident in countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to take up the Nil Paid Rights and/or offer of Fully Paid Rights. In particular, subject to certain very limited exceptions, this Prospectus or any other documents issued by the Company in connection with the Rights Issue should not be distributed, forwarded or transmitted into the United States or any other Excluded Territory.

This paragraph 7 of this Part IX sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this Prospectus to a jurisdiction outside the United Kingdom or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares (nil paid) will be provisionally allotted to all Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with registered addresses in the Excluded Territories except where Cobham and the Joint Bookrunners are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Receipt of this Prospectus and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this Prospectus and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may (a) treat the same as constituting an invitation or offer to him/her, nor (b) should he/she in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless (in the case of (a) or (b) above) such an invitation or offer could lawfully be made to him/her or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons who have received a copy of this Prospectus or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, any Excluded Territory. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory, or by his/her agent or nominee, he/she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless Cobham determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this Prospectus or a Provisional Allotment Letter in

or into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7 of this Part IX.

Any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up his/her rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 of this Part IX are intended as a general guide only and any Shareholder who is in any doubt as to his/her position should consult his/her professional advisers without delay.

Cobham (after consultation with the Joint Bookrunners) may treat as invalid any exercise or purported exercise of Nil Paid Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights or New Ordinary Shares which appears to Cobham or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST member or CREST Sponsored Member whose registered address is in any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit or if the Board believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provision of this Prospectus or the Provisional Allotment Letter, Cobham reserves the right (after consultation with the Joint Bookrunners) to permit any Qualifying Shareholder to take up his/her rights if Cobham, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If Cobham is so satisfied, Cobham will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he/she is a Qualifying Non-CREST Shareholder or, if he/she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4.2 and 5.2 of this Part IX.

The provisions of paragraph 6 of this Part IX will apply to all Shareholders with registered addresses in the Excluded Territories who do not or are unable to take up the New Ordinary Shares provisionally allotted to them. Accordingly, such Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Joint Bookrunners will endeavour to procure, on behalf of such Qualifying Shareholders, subscribers for the New Ordinary Shares.

7.2 European Economic Area (other than the United Kingdom)

In relation to each Relevant Member State (other than the United Kingdom), an offer to the public of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights may not be made in that Relevant Member State pursuant to the Rights Issue prior to the publication of a prospectus in relation to the New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the first Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be made at any time:

- (a) to any legal entity which is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights shall result in a requirement for the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company and the Joint Bookrunners that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an **offer to the public** in relation to any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to be offered so as to enable a prospective investor to decide to purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive and (a) the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale; or (b) where New Ordinary Shares, or Nil Paid Rights or Fully Paid Rights have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to it is not treated under the Prospectus Directive as having been made to such persons. The Company and the Joint Bookrunners and each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

7.3 United States

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under section 5 of the Securities Act provided by Rule 144A thereunder.

Accordingly, Cobham is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain very limited exceptions, none of this Prospectus and the Provisional Allotment Letter constitutes, or will constitute, or forms any offer or an invitation to apply for or an offer or an invitation to acquire or subscribe for any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. Subject to certain very limited exceptions, neither this Prospectus nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States. Subject to certain very limited exceptions, Provisional Allotment Letters or renunciations thereof sent from or postmarked in the United States will be deemed to be invalid and all persons subscribing for New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain very limited exceptions, any person who acquires or subscribes for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares will be required to declare, warrant and agree that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is (a) a QIB within the meaning of Rule 144A; (b) acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (c) acquiring the Nil Paid Rights, the Fully Paid Right or the New Ordinary Shares for investment purposes, and not with a view to further distribution of such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; and (d) aware, and each beneficial owner of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares has been advised, that the offer and sale of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and

- (b) it understands that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the Securities Act and that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; (b) in an Offshore Transaction in accordance with Rule 903 or Rule 904 of Regulation S; (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (A) understands that the New Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares established or maintained by a depositary bank; (B) acknowledges that the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares; and (C) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares made other than in compliance with the above-stated restrictions.

The Company, the Joint Bookrunners and their affiliates will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Cobham and the Joint Bookrunners reserve the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to Cobham and the Joint Bookrunners or their respective agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring or subscribing for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or where the Board believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. Cobham will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, Cobham and the Joint Bookrunners reserve the right to reject any MTM Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The provisions of paragraph 6.1 above of this Part IX will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as non-exercising holders and the Joint Bookrunners will endeavour to procure, on behalf of such non-exercising holders, subscribers for the New Ordinary Shares.

7.4 Australia

This Prospectus is not a prospectus, product disclosure statement or any other form of formal “disclosure document” for the purposes of the Corporations Act 2001 (Cth) Australia (the **Corporations Act**) and has not been lodged with or been the subject of notification to the Australian Securities and Investments Commission. This Prospectus is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. Accordingly, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be offered, issued, sold or distributed in Australia by any person other than by way of or pursuant to an offer or invitation that does not need disclosure to investors under Part 6D.2 of the Corporations Act.

This document has not been and will not be lodged or registered with the Australian Securities and Investments Commission or the Australian Securities Exchange or any other regulatory body or agency in Australia.

The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the securities. No “cooling-off” regime will apply to an acquisition of any interest in the Company.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of any interest in the Company is appropriate in light of your own financial circumstances or seek professional advice.

Any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares issued upon acceptance of the Rights Issue may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D or of the Australian Corporations Act or in circumstances under which another exemption from the requirement to give a disclosure document is available. Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell or offer to sell these securities in Australia (except in the circumstances referred to above) for 12 months after their issue.

7.5 Canada

The Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares will not be qualified for sale under the securities laws of any province or territory of Canada. None of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be offered, sold or distributed, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. This Prospectus and any accompanying documents may not be distributed or delivered in Canada other than in compliance with applicable securities laws.

Any Canadian Shareholder who wishes to receive Nil Paid Rights or Fully Paid Rights must first complete documentation prescribed for the Company for the purpose of establishing the eligibility of that Canadian Shareholder to receive Nil Paid Rights or Fully Paid Rights. Further, Canadian Shareholders may only receive Nil Paid Rights or Fully Paid Rights for the purpose of obtaining New Ordinary Shares on the exercise thereof, and not for the purpose of making any resale or other disposition. Any resale of the New Ordinary Shares issued on the exercise of the Nil Paid Rights or the Fully Paid Rights, and any resale of the unallocated New Ordinary Shares sold in Canada, must be made in accordance with applicable Canadian securities laws, including prospectus requirements or exemptions, and dealer registration requirements. These resale restrictions may in some circumstances apply to resales of securities outside Canada. Canadian Shareholders are advised to seek legal advice prior to any resale of securities.

7.6 Switzerland

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on SIX Swiss Exchange Ltd. or on any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus, the Provisional Allotment Letter, nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. or the listing rules of any other stock exchange or regulated trading facility in Switzerland, and neither this Prospectus, the Provisional Allotment Letter, nor any other offering or marketing material relating to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Rights Issue may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus, the Provisional Allotment Letter, nor any other offering or marketing material relating to the Rights Issue, the Company, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have been or will be filed with or approved by, and the offer of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA.

7.7 Japan

The Rights Issue has not been and shall not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the **FIEA**). Accordingly, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have not, directly or indirectly, been offered or sold and shall not, directly or indirectly, be offered or sold in Japan or to or for the benefit of a resident of Japan (as defined in Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act No. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan, or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

Prospective investors are hereby notified that Cobham may be relying on the exemption from registration under sub-item 3, item 2, paragraph 3, article 2 of the FIEA. The investor or purchaser holding the Nil Paid Rights and/or the Fully Paid Rights is prohibited from transferring the Nil Paid Rights and Fully Paid Rights unless that investor or purchaser transfers all their Nil Paid Rights and fully Paid Rights together to a single person in Japan.

7.7 Other overseas territories

Qualifying Shareholders in jurisdictions other than the United States or the Excluded Territories may, subject to the laws of their relevant jurisdiction, take up the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares under the Rights Issue in accordance with the instructions set out in this Prospectus and, if relevant, the Provisional Allotment Letter. Each person to whom the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to have represented and agreed to the representations and warranties set out in this Part IX.

Qualifying Shareholders who have registered addresses in or who are resident or located in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

8. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS SHAREHOLDERS

8.1 Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to Cobham and the Joint Bookrunners that, except where proof has been provided to Cobham's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction:

- (a) such person is not in the United States and is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares from within the United States;
- (b) such person is not in any of the other Excluded Territories or in any territory in which it is not otherwise unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it;
- (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the Excluded Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless, (i) the instruction to accept was received from a person outside the United States, and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction, and (B) either (I) has investment discretion over such account or (II) is an investment company that is subscribing for the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and
- (d) such person is not subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any Excluded Territory or any other territory referred to in paragraph (b) above.

Cobham may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it:

(1) appears to Cobham and the Joint Bookrunners to have been executed in, or despatched from, the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement, (2) provides an address in the United States or any of the other Excluded Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, or (3) purports to exclude the warranty required by this paragraph 8.1 of this Part IX.

8.2 Qualifying CREST Shareholders

A Qualifying CREST shareholder who makes a valid acceptance in accordance with the procedures set out in this Part IX represents and warrants to Cobham and the Joint Bookrunners that, except where proof has been provided to Cobham's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (a) such person is not within the United States;
- (b) such person is not in any of the other Excluded Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares;
- (c) such person is not accepting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States, or any of the other Excluded Territories, or any of the other territories referred to in paragraph (b) above at the time the instruction to accept was given, and such person is not accepting for the account of any person who is located within the United States, unless:
 - (i) the instruction to accept was received from someone outside the United States; and
 - (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction, and (B) either (I) has investment discretion over such account or (II) is an investment company that is subscribing for the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and
- (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares into the United States or any Excluded Territory or any other territory referred to in (b) above.

Cobham and the Joint Bookrunners may treat as invalid any MTM Instruction which appears to Cobham and the Joint Bookrunners to have been despatched from the United States, an Excluded Territory or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil Paid Rights, Fully Paid Rights or subscribe for New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agent believes the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this paragraph 8 of this Part IX.

9. WAIVER

The provisions of paragraphs 7 and 8 of this Part IX and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by Cobham and the Joint Bookrunners in their absolute discretion. Subject to this, the provisions of paragraphs 7 and 8 of this Part IX supersede any terms of the Rights Issue inconsistent herewith. References in paragraphs 7 and 8 of this Part IX to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 9 of this Part IX shall apply to them jointly and to each of them.

10. TAXATION

Information on taxation in the United Kingdom and the United States in relation to the Rights Issue is set out in paragraphs 15 and 17 (respectively) of Part XVII: "Additional Information" of this Prospectus. The information contained in paragraph 15 of Part XVII: "Additional Information" of this Prospectus is intended only as a general guide to the current tax position in the United Kingdom and the information contained in paragraph 17 of Part XVII: "Additional Information" of this Prospectus is intended only as a general guide to the current tax position in the United States. Qualifying Shareholders in the United Kingdom and the

United States should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

11. TIMES AND DATES

The Company shall, after consultation with its financial and legal advisers, be entitled to amend the dates on which Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this Prospectus and in such circumstances shall notify the UK Listing Authority and the London Stock Exchange and make an announcement issued via a Regulatory Information Service. Qualifying Shareholders may not receive any further written communication.

12. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Rights Issue as set out in this Prospectus and the Provisional Allotment Letter, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this Prospectus or the Provisional Allotment Letter including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this Prospectus or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, where applicable, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART X

QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part X are intended to be in general terms only and, as such, you should read Part IX: “Terms and Conditions of the Rights Issue” of this Prospectus for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under FSMA if you are resident in the United Kingdom, or if not, from another appropriately authorised independent financial adviser.

This Part X deals with general questions relating to the Rights Issue and more specific questions relating to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part IX: “Terms and Conditions of the Rights Issue” of this Prospectus and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Rights. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IX: “Terms and Conditions of the Rights Issue” of this Prospectus for full details of what action you should take. If you are a CREST Sponsored Member, you should also consult your CREST Sponsor.

If you do not know whether you hold Existing Ordinary Shares in certificated form or in uncertificated form (that is, through CREST), please call the Shareholder Helpline on 0333 207 6387 (from inside the United Kingdom) or +44 (0)121 415 0956 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or provide financial, investment, legal or tax advice. Calls to the +44 (0)121 415 0956 number from outside the UK are charged at applicable international rates.

1. GENERAL

1.1 What is a rights issue?

A rights issue is one way for companies to raise money by giving their existing shareholders a right to buy further shares for cash in proportion to their existing shareholdings.

This Rights Issue comprises an offer by the Company of 569,287,950 New Ordinary Shares at a price of 89 pence per New Ordinary Share. If you hold Existing Ordinary Shares on the Record Date, you will be a Qualifying Shareholder. Qualifying Shareholders, other than, subject to certain exceptions, those who have a registered address, or are resident in, the Excluded Territories, will be entitled to buy New Ordinary Shares under the Rights Issue. If you hold Existing Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

The Rights Issue Price of 89 pence per New Ordinary Share represents a 45.4 per cent. discount to the closing middle-market price quotation as derived from the Official List of 163.0 pence per Ordinary Share on 31 May 2016 (the closing middle-market price prior to the announcement of the Rights Issue). Because of this discount and while the market value of the Existing Ordinary Shares exceeds the Rights Issue Price, the right to buy the New Ordinary Shares is potentially valuable. The New Ordinary Shares, when fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, respectively.

The Rights Issue is on the basis of 1 New Ordinary Share for every 2 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder other than, subject to certain exceptions, a Shareholder with a registered address, or resident, in any of the Excluded Territories, and you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Ordinary Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing “nil paid”.

2. ORDINARY SHARES IN CERTIFICATED FORM

2.1 How do I know if I am eligible to participate in the Rights Issue?

If you are a holder of Ordinary Shares and receive a Provisional Allotment Letter and do not, subject to certain exceptions, have a registered address in the Excluded Territories, then you should be eligible to

participate in the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 2 June 2016 (the time when the Existing Ordinary Shares are expected to be marked “ex-rights” by the London Stock Exchange), in which case you will need to follow the instructions on the front page of this Prospectus).

However, if you receive a Provisional Allotment Letter and you have a registered address in, or are a citizen, resident or national of, a country other than the United Kingdom, you must satisfy yourself as to the full observance of the applicable laws of such territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. Receipt of this Prospectus or a Provisional Allotment Letter does not constitute an offer in those jurisdictions in which it would be illegal to make such an offer. Overseas Shareholders should refer to paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus for further details.

If you do not receive a Provisional Allotment Letter, and you do not hold your shares in CREST, this probably means you are not eligible to acquire any New Ordinary Shares. However, see the question in paragraph 2.4.

2.2 What do I need to do in relation to the Rights Issue?

If you hold your Existing Ordinary Shares in certificated form at the Record Date and, subject to certain exceptions, do not have a registered address in any of the Excluded Territories, you have been sent a Provisional Allotment Letter that shows:

- (a) how many Existing Ordinary Shares you held at the close of business on 27 May 2016 (the Record Date for the Rights Issue);
- (b) how many New Ordinary Shares you are entitled to buy; and
- (c) how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the Excluded Territories, you will not receive a Provisional Allotment Letter.

2.3 What are my choices and what should I do with the Provisional Allotment Letter?

- (a) *If you want to take up all of your rights in full*

If you want to take up all of your rights to subscribe for the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker’s draft for the full amount shown in your Provisional Allotment Letter, payable to “Equiniti Limited re Cobham plc Rights Issue A/C” and crossed “A/C payee only”, by post or (during normal business hours only) by hand to the Receiving Agent, Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom to arrive by no later than 11.00 a.m. on 16 June 2016. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus and will be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be dispatched to you by no later than 24 June 2016.

Cheques must be in pounds sterling and drawn on a UK account. Third party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted the full name of the account holder and added the building society or bank branch stamp. The account name should be the same as that shown on the Provisional Allotment Letter. Post-dated cheques will not be accepted.

- (b) *If you do not want to take up your rights at all*

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 16 June 2016, the Company has made arrangements under which the Joint Bookrunners will try to find investors to take up your rights and the rights of others who have not taken them up. If the Joint Bookrunners find investors who agree to pay a premium above the Rights Issue Price and the

related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques are expected to be dispatched by 24 June 2016 and will be sent to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Ordinary Shares jointly). If the Joint Bookrunners cannot find investors who agree to pay a premium over the Rights Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraphs (d) and (e) below).

(c) *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X (the form of renunciation) on the Provisional Allotment Letter, and returning it by post or (during normal business hours only) by hand to the Receiving Agent to be received by 3.00 p.m. on 14 June 2016, together with confirmation of the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter(s) representing the New Ordinary Shares that you wish to accept together with your cheque or banker's draft to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA (see paragraph (a) above) to be received by 11.00 a.m. on 16 June 2016, while the split Provisional Allotment Letter(s) relating to the rights you wish to sell should be forwarded to your agent undertaking the sale.

Further details are set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus and will be set out in the Provisional Allotment Letter.

(d) *If you want to sell some of your rights*

If you want to sell some of your rights, you will first need to apply to have your Provisional Allotment Letter split (see paragraph (c) above). Please note that the ability to sell your rights is dependent on demand for such rights and that the price of Nil Paid Rights will fluctuate.

(e) *If you want to sell all of your rights*

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided, subject to certain very limited exceptions, they are not resident in the United States or any of the Excluded Territories).

Please note that your ability to sell your rights is dependent upon demand for such rights and that the price for the rights may fluctuate.

The latest time and date for selling all of your rights is 11.00 a.m. on 16 June 2016. Please ensure, however, that you allow enough time to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 16 June 2016.

2.4 What if I do not receive a Provisional Allotment Letter?

If you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not eligible to participate in the Rights Issue. However, some Qualifying Shareholders will not receive a Provisional Allotment Letter but may still be eligible to participate in the Rights Issue, namely:

- (a) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 27 May 2016 and who have converted them to certificated form;
- (b) Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares prior to the close of business on the Record Date but were not registered as the holders of those Existing Ordinary Shares at the close of business on 27 May 2016; and
- (c) certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder Helpline on 0333 207 6387 (from within the United Kingdom) or +44 (0)121 415 0956 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company's register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax, legal or investment advice.

2.5 If I buy Ordinary Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 2 June 2016 (the time when the Existing Ordinary Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 2 June 2016 (the **Ex-Rights Date**), you will not be eligible to participate in the Rights Issue in respect of those Shares.

2.6 I hold my Existing Ordinary Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Ordinary Shares?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 24 June 2016.

2.7 Can I change my decision to take up my rights?

Once you have returned your Provisional Allotment Letter, as applicable, you cannot withdraw your application or change the number of New Ordinary Shares for which you have applied, except in the very limited circumstances set out at paragraph 6 of Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus.

2.8 I hold my qualifying shares in certificated form. What if I want to sell the New Ordinary Shares for which I have paid?

Provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 16 June 2016. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be despatched to you by no later than 24 June 2016. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus.

3. ORDINARY SHARES IN CREST

3.1 How do I know if I am eligible to participate in the Rights Issue?

If you are a Qualifying CREST Shareholder (save as mentioned below), and on the assumption that the Rights Issue proceeds as planned, your CREST stock account will be credited with your entitlement to Nil Paid Rights on 2 June 2016. The stock account to be credited will be the account under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights and the Fully Paid Rights are expected to be enabled as soon as practicable after 8.00 a.m. on 2 June 2016. If you are a CREST Sponsored Member, you should consult your CREST Sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with a registered address in the United States or any of the Excluded Territories will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 7 of Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus.

3.2 How do I take up my rights using CREST?

If you are a Qualifying CREST Shareholder, you should refer to paragraph 5 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a MTM Instruction has been inputted and has settled by 11.00 a.m. on 16 June 2016 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST Sponsored Member, you should speak directly to the agent who looks after your stock or your CREST Sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through CREST, you should call the CREST Service Desk on 0845 964 5648 (+44 845 964 5648 if you are calling from outside the United Kingdom).

3.3 If I buy Ordinary Shares before 8.00 a.m. on 2 June 2016 (the date that the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?

If you buy Ordinary Shares before 8.00 a.m. on 2 June 2016, but are not registered as the holder of those Ordinary Shares on the Record Date, you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any further Ordinary Shares acquired on or after the Ex-Rights Date.

3.4 What should I do if I sell or transfer all or some of my Ordinary Shares before 8.00 a.m. on 2 June 2016 (the Ex-Rights Date)?

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before the Ex-Rights Date, to send this Prospectus to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 How many New Ordinary Shares am I entitled to acquire?

Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares which you are entitled to acquire. You will be entitled to acquire 1 New Ordinary Share for every 2 Existing Ordinary Shares you hold on 27 May 2016, the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the Ex-Rights Date. If you are a CREST Sponsored Member, you should consult your CREST Sponsor.

3.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you recently bought or sold Ordinary Shares, your transaction may not be entered on the register of members before the Record Date and you should consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale, purchase or transfer before taking any other action. If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline. Calls to the Shareholder Helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company’s register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax, legal or investment advice.

3.7 If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?

If you take up your rights under the Rights Issue, it is expected that New Ordinary Shares will be credited to the CREST stock account in which you hold your Fully Paid Rights on 17 June 2016.

4. FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER IN CERTIFICATED FORM OR IN CREST

4.1 What if the number of New Ordinary Shares to which I am entitled is not a whole number: am I entitled to fractions of New Ordinary Shares?

Your entitlement to New Ordinary Shares will be calculated at the Record Date (other than in the case of those who bought Existing Ordinary Shares after the Record Date but before the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not receive a fraction of a New Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be aggregated and, if possible, sold in the market nil paid for the benefit of the Company.

4.2 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

Certain information about taxation in the United Kingdom and the United States is contained in Part XVII: “*Additional Information*” of this Prospectus. This information is intended as a general guide for Qualifying Shareholders as to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult an appropriate professional adviser as soon as possible. Please note the Shareholder Helpline will not be able to assist you with taxation issues.

4.3 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. This means that, during the Rights Issue offer period, a person can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or can trade in the Nil Paid Rights during the nil paid dealing period (between 8.00 a.m. on 2 June 2016 and 11.00 a.m. on 16 June 2016), subject to demand and market conditions. Please note that your ability to sell your rights is dependent on demand for such rights and that the price of the Nil Paid Rights will fluctuate.

If you wish to sell or transfer all or some of your Nil Paid Rights and you hold your Existing Ordinary Shares in certificated form, you will need to complete Form X (the form of renunciation) on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 16 June 2016, in accordance with the instructions in the Provisional Allotment Letter.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying Non-CREST Shareholders who are CREST members or CREST Sponsored Members can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST Sponsor or stockbroker, bank or other appropriate financial adviser for further details.

4.4 What should I do if I live outside the United Kingdom?

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses, or who are resident or located, in the United States or any of the other Excluded Territories are subject to certain very limited exceptions, not eligible to participate in the Rights Issue. Shareholders with registered addresses, or who are resident or located, in the United States who are QIBs may be able to acquire New Ordinary Shares in the Rights Issue. Your attention is drawn to the information in paragraph 7 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus.

4.5 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X (the form of renunciation) and the CREST Deposit Form (both on the Provisional Allotment Letter), and ensure they are delivered to the Receiving Agent to be received by 3.00 p.m. on 13 June 2016 at the latest. CREST Sponsored Members should arrange for their CREST Sponsors to do this on their behalf.

If you have transferred your rights into the CREST system, you should refer to paragraph 5.2 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus for details on how to pay for the New Ordinary Shares.

4.6 What should I do if I think my holding of Ordinary Shares is incorrect?

If you have bought or sold Existing Ordinary Shares shortly before 27 May 2016, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please contact the Shareholder Helpline on 0333 207 6387 (from within the United Kingdom), or +44 (0)121 415 0956 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company’s register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

4.7 What if I hold options and/or awards under any of Cobham’s Share Schemes?

If you participate in the Company’s Share Incentive Plan (the **SIP**), you will be contacted by the trustee of the SIP with regard to the impact of the Rights Issue on the Ordinary Shares held for you under the SIP.

If you hold options or awards under any of the Company’s other Share Schemes, you cannot participate in the Rights Issue in respect of these options or awards since these are only rights to acquire Ordinary Shares at a future date.

However, subject to any legal or tax constraints, Cobham intends to adjust the number of Ordinary Shares subject to options and awards outstanding under the Share Schemes (excluding the SIP) and the exercise price (if any), in accordance with the rules of the relevant Share Scheme, to take account of the issue of the New Ordinary Shares and to reflect the expected effect of the Rights Issue on the value of your awards and/or options. The purpose of this adjustment is to ensure that the value of an award or option immediately after the Rights Issue remains the same as it was immediately before the Rights Issue. You will be contacted separately and in due course with further information about the adjustment of any options and/or awards you hold.

4.8 Where can I find further information on the Rights Issue?

For further information on the Rights Issue, please contact the Shareholder Helpline on 0333 207 6387 (from within the United Kingdom), or +44 (0)121 415 0956 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company’s register of members and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax, legal or investment advice.

PART XI

BUSINESS OVERVIEW OF THE COBHAM GROUP

Unless otherwise stated, the financial information relating to the Company and the Group set out in this Part XI of the document has been extracted without material adjustment from the historical financial information incorporated by reference or otherwise set out in Part XV: “Historical Financial Information Relating to the Cobham Group” of this Prospectus.

1. Group Overview

- 1.1 The Group is an international technology and services business, employing around 11,000 people across five continents with customers and partners in over 100 countries. The Group offers a range of technologies and services to solve challenging problems across commercial, defence and security markets. It has strong market positions in air-to-air refuelling, aviation services, wireless, audio, video and data communications, including satellite communications, defence electronics, life support and mission equipment. The Group operates in four Sectors:
- (a) *Communications and Connectivity* – providing aircraft and in-building communication equipment, satellite communication equipment for land, sea, and air applications and test and measurement instrumentation for radio frequency, cellular communications and wireless networking;
 - (b) *Mission Systems* – providing safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting 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, including weapon carriage and release systems and missile control actuation sub-systems;
 - (c) *Advanced Electronic Solutions* – providing critical solutions for communication 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; and
 - (d) *Aviation Services* – delivering outsourced aviation services for military and commercial customers worldwide, including military training, special mission flight operations, outsourced commercial aviation, fly-in fly-out services to the natural resources industry and aircraft engineering services.
- 1.2 The Group operates out of manufacturing locations in the United States, the United Kingdom and continental Europe, as well as satellite locations and sales offices across the world that provide a presence in faster-growth markets. In addition, the Group’s Aviation Services Sector operates from airport bases in Australia, the UK and elsewhere in the world.
- 1.3 For the year ended 31 December 2015, the Group reported trading profit of £332 million (2014: £287 million; 2013: £318 million) on revenue of £2,072.0 million (2014: £1,851.7 million; 2013: £1,789.7 million).

2. Key Strengths

Well-positioned on high priority platforms for future growth

- 2.1 The Group is well-positioned in key commercial markets such as aerospace, marine SATCOM, specialist aviation services and wireless markets and has increased its exposure to growing commercial markets by leveraging the Group’s technology know-how and capabilities allowing the Group to differentiate and grow in its respective markets. Positive trends in the commercial sector, such as robust order backlogs in the commercial aerospace sector, the introduction of new Inmarsat SATCOM services, with its expected ability to improve efficiency in the marine SATCOM sector over the long term, and the enduring requirement for regional aircraft services in Australia have helped the Group build a platform for future growth.
- 2.2 In the U.S. defence and security market, the Group is well positioned on high priority platforms and programmes including the KC-46, F-35, Air and Missile Defense Radar and Active Electronically Scanned Array (AESA) technology. The AESA radar is the next generation of radar technology and the Group’s differentiated RF solutions (e.g. exciters, transmitters, receivers) are expected to be part of future upgrades of the F-16 fighter aircraft among other programmes. Additionally, the Directors believe that the United States Government’s recent shift of strategic priority towards Asia plays to the Group’s strengths in electronic self-protection, life support in harsh environments and in connecting the digital battlefield.

2.3 In the non-U.S. defence and security market, the Group is leveraging its technology know-how and capabilities to address non-U.S. government defence and security programme requirements. Regional security conflicts and security tensions continue to be drivers of growth in global markets including the Middle East and North Africa as well as faster growing economies such as India. The Group has strong market positions in critical technologies including aerial refuelling, communications, self-protection and life support systems that are highly relevant to non-U.S. defence and security customers.

Distinctive, high technology content

2.4 In the period ending 31 December 2015, the Group's total R&D investment, both internal Private Venture (PV) funding and customer funded projects, increased 30 per cent. over the comparative period, including the impact of the Aeroflex acquisition. Customer funded R&D rose £19 million, principally due to higher engineering and development activity on major aerial refuelling tanker programmes (such as the KC-46, KC-390 and A400M aircraft), which are all underpinned by long term production revenue. The Group's internal PV investment was over 8 per cent. of revenue, excluding Aviation Services where there is no R&D activity.

2.5 The Group's innovative technology and know-how is mainly focused on the tier two (sub-systems) and tier three (components) segments of the Group's markets, where the Group has leading market positions. The Group is committed to making further organic investment in its technologies, thus increasing potential future growth.

Broad product portfolio with market leading positions

2.6 The Group supplies a predominantly blue chip customer base in the specialist technology markets in which it operates.

2.7 The Group's product portfolio is broadly diversified across four sectors in three end markets and across multiple geographies. As one of its broader strategic objectives, the Group has actively leveraged its existing technology, products and services into new or adjacent commercial end markets, where there is strong customer demand. This has brought more balance to the Group's portfolio, which the Directors expect to enable the Group to grow revenue through future business cycles.

Significant barriers to market entry including technology and regulatory environment

2.8 A large number of the Group's products and services are designed for the use of international military, government and intelligence customers. As a result, certain products and services are considered to be of national strategic importance and are subject to significant regulatory and export controls, as well as other restrictions. The Group has in place formal systems and procedures to comply with these regulations and controls, without which it would not be able to participate in relevant markets. The sensitivity and costs associated with switching providers also makes it cumbersome for governments and government contractors to switch providers, therefore protecting the Group's position.

2.9 The Group has differentiated technology, a high level of investment in technology development, long term programmes in which it participates and leading positions in its specialist markets. These factors enable Cobham to maintain its participation in relevant markets to which it would otherwise be unable to have access.

3. Strategy

3.1 The Group's goal is to build and maintain leading positions in the markets in which it operates by leveraging innovative technology and know-how and combining this with an understanding of customer needs. The five key elements of this strategy include:

- (a) a focus on its customers and the development of close relationships with them;
- (b) improvement in operational performance to ensure customers' needs are being met;
- (c) investment in innovative and differentiated technology to win new customers and grow market share;
- (d) allocation of capital to optimise revenue and profits; and
- (e) enhancement of skills and capabilities within the Group's businesses in order to create long term competitive advantage.

- 3.2 The Group's current focus is on organic execution, including the delivery of revenue growth, increased cash generation and the completion of the integration of the former Aeroflex businesses.

Focus on customers

- 3.3 The Group seeks to develop an understanding of its customers' needs and priorities and to build close relationships with them. This allows the Group to be more focused in its resource allocation and is crucial to its ability to develop products and services that are relevant to the markets it serves.

Improved operational performance

- 3.4 The Group has made progress in streamlining its operations, introducing standard operating frameworks and integrating the Aeroflex acquisition through dedicated restructuring and integration programmes. This is designed to allow the Group to deliver products and services in line with customer schedules, on budget and to agreed performance and quality metrics. The controlled roll out of these programmes, together with its continuous improvement activities, has allowed the Group to learn lessons and to ensure that these are incorporated in subsequent phases and that best practice can be shared across all of its sectors.

Investment in technology

- 3.5 As a technology focused business, the Group invests in technologies which are innovative and which align with its technology roadmaps. The Group focuses on the development of products and services which not only meet its customers' needs but which are differentiated from other competitive offerings. In this way, the Group retains existing customers and wins new customers.

Allocation of capital for growth

- 3.6 The Group is constantly reviewing the market served by its Sectors at both a macro and micro level to ensure that it is focusing investment on those areas that will deliver the best financial returns. For example, investment in and modifications to four Bombardier Challenger jet aircraft are well underway, to deliver a 12-year, A\$640 million contract for the Australian Maritime Safety Authority. Flying operations are expected to commence in 2016 and the Board believes that this investment will support future organic revenue growth.

Enhancement of skills and capabilities

- 3.7 The Group's competitive advantage is dependent on its employees' skills and capabilities. Enhancing the skills and capabilities of the Group's employees, through value added learning and development, as well as recruiting and developing the next generation of skilled employees, is essential in a technology led business to delivering the commitments the Group makes to its customers.

4. Market Overview and Competition

- 4.1 The Group operates in three broad markets: commercial (which primarily comprises aerospace, marine and land markets), U.S. defence and security and non-U.S. defence and security.

Commercial

- 4.2 In the year ended 31 December 2015, 40 per cent. of the Group's revenue was derived from its positions in commercial markets, where its principal offerings include commercial aviation communication and avionics products, specialist aviation services, maritime and land-based SATCOM terminals and safety radios, and wireless communication coverage and validation products. It also offers a range of products for other commercial markets, including microwave components for space, medical and industrial applications, test equipment for mobile radios and avionics and slip rings for industrial and wind energy markets.
- 4.3 Long-term demand in these markets is driven by the need for increased bandwidth for communications, underpinned by a growing middle class, urbanisation and increased propensity to travel, and a desire for smaller and lighter products which drive greater fuel efficiency and operational savings.

Commercial aviation products

- 4.4 The Group has had a longstanding presence in the commercial aviation market in three of its four Sectors. Its principal offerings in this market are its avionic systems and broad range of radio frequency (RF), microwave and SATCOM antenna products. The Group also supplies microwave components and sub-systems, inert gas generation systems, oxygen systems and slip rings to all supplier levels of the commercial aviation industry.
- 4.5 The Group derives revenue from the market for commercial airliners, regional aircraft, business jets and civil rotorcraft. The Board believes that over the next ten years, propelled by emerging market demand, approximately 18,000 commercial airliners, 4,200 regional jets and turboprops, 9,000 business jets and 11,650 civil helicopters will be delivered, representing a sizeable market opportunity.
- 4.6 The Group is targeting growth in these markets by penetrating new aircraft platforms, expanding shipsets with key aviation original equipment manufacturers (OEMs) by leveraging combined routes to market, and by driving retrofit sales of newly developed technologies such as AVIATOR S, a new family of SATCOM systems designed for safety services, and the RT-7000, a new software-defined radio for parapublic and commercial helicopter operators.
- 4.7 Further, potential growth in these markets is driven by the introduction of new government safety mandates, next-generation air traffic services such as NextGen in the U.S. and Single European Sky ATM Research, and the introduction of Automatic Dependent Surveillance-Broadcast technology, which presents significant retrofit opportunities for avionics manufacturers as well as underpinning a robust market for avionics test equipment.
- 4.8 The Group identifies its key competitors across commercial aviation as Avtech, Honeywell, Parker Aerospace, Rockwell Collins and Sensor Systems, each of which it competes with in the U.S.
- 4.9 The Board believes that 18,000 commercial airliners are forecast to be produced and delivered through 2026, driven by emerging market demand, operators' need for more fuel efficient aircraft and passenger air traffic growth. Passenger air traffic has doubled every 15 years since the early 1980s, so increasing fleet size, load factors, utilisation and used-airplane transactions are expected to help meet this demand. As emerging markets continue to develop and open, air travel is also considered increasingly essential and is one of the first discretionary expenditures to be added as consumers join the growing global middle class. In addition, despite the recent decline in oil prices (which may impact new aircraft demand over time), fuel-efficient aircraft continue to appeal to operators and long-term production rate forecasts are stable as stringent environmental regulations and economic growth derived from lower fuel costs reduce the risk of a capacity surplus and mitigate the potential operating benefits of cheaper fuel.
- 4.10 Order backlogs at Airbus and Boeing remain at an all-time high and support planned production increases to meet market demand. Multiple next generation platforms such as A350-1000, A330neo, B737MAX and B787-10 have already or are set to enter service through the balance of the current decade, and comprise approximately 70 per cent. of the commercial airliners currently on order.
- 4.11 The Group currently holds shipsets on all Airbus and Boeing airliner platforms and is seeking to grow its existing positions on next-generation platforms. The strong order backlogs for these platforms underpins the Group's growth trajectory in this market, supported by targeted retrofitting of existing airliner fleets with new communications technologies, such as SATCOM antennas and in-flight entertainment servers.
- 4.12 Regional aircraft continue to provide opportunities for smaller rivals of Boeing and Airbus and fill a market niche for shorter routes. Low-cost carriers and Asian carriers in particular are showing increased interest, generating strong order rates and supporting a growing market following a period of stagnation, and the Board forecasts approximately 3,200 regional jets and 1,000 regional turboprops for delivery through 2024.
- 4.13 The regional aircraft market shares similar underlying market trends as commercial airliners, and a number of next-generation regional aircraft platforms, such as the Comac ARJ-21, Mitsubishi Regional Jet and Embraer E-Jets E2, are expected to enter service in the next few years, driving market growth and dramatically shifting the OEM landscape.
- 4.14 The market is expected to grow at low to mid single digits through the next five to ten years. The Directors believe that these markets present an attractive long-term growth opportunity for the Group, where it can compete on its technological advantage to deliver high performing products.

- 4.15 The business jet market is expected to show long-term growth following a period of significant declines from the 2008 production peak and consequent market stagnation. Whilst on the path to recovery, the slower-growth economy is expected to temper production rates through 2017 when growth is expected to resume as new platforms currently in development enter service.
- 4.16 The civil rotorcraft market has suffered a downturn with the decline in global oil and gas prices and activity, as much of the market is linked to the offshore transportation sector. Helicopter OEMs nonetheless retain a positive longer-term outlook, with some innovative platform variants expected to enter service in the next few years and new aircraft (AW189, AW609, and Bell 525) being developed primarily for commercial roles.

Specialist aviation services

- 4.17 The Group's operations include contracted airline services for national carrier Qantas as well as passenger and freight carriage for corporates and large mining companies in Australia's outback. These services form the key components of the Group's commercial aviation services market segment.
- 4.18 Demand for aviation services in Australia (fly-in fly-out and closed charter) is driven in part by activity in the resource sector, which is partially linked to demand from China and other Asia-Pacific economies. The industry remains susceptible to movements in commodity prices, with fly-in fly-out activity decreasing in the last two years.
- 4.19 Many of the factors that supported high demand, such as economic growth in China are now reversing. This has meant that global commodities prices have seen a significant decline, although they are anticipated to remain stable for the next five years.
- 4.20 Australian commercial aviation, notably the regular public transport (**RPT**) market, is expected to grow over the next five years as passenger traffic, measured in passenger kilometres flown, is projected to grow from approximately 65 million in 2015 to nearly 80 million in 2021.
- 4.21 Key competitors in the commercial aviation market include: AirNorth (RPT); Alliance Airlines, Network Aviation, Qantas, Skippers Aviation, Virgin Australia and Virgin Australia Regional Airlines (fly-in, fly-out and closed-charter); and Qantas, Virgin (high-capacity freight).
- 4.22 The Group is currently focused on taking actions to retain a strong market position, reduce costs, transform the service offering, maintain the next generation platform differentiating capability and position itself for an upturn in the industry.

Maritime SATCOM

- 4.23 The Group addresses the maritime SATCOM market with its SeaTel and SAILOR brands, the latter acquired as part of Thrane & Thrane in 2012. Under these brands, the Group offers a variety of satellite and radio technologies, including L-Band products for Inmarsat and Iridium, Ku-Band, Ka-Band and C-Band VSAT terminals, as well as a full range of global maritime distress and safety system products. Cobham offers these products through distributors and directly to ship operators, shipbuilders and oil and gas platform operators.
- 4.24 The global maritime markets have recently suffered a downturn brought about by falling oil and gas prices and a decrease in demand from China and other major commodity importers. The Baltic Dry Index, which measures the cost of shipping raw materials such as iron ore, coal and grains, is a key indicator of the health of the global maritime market. This index has gone through a notable decline towards the end of 2015 and 2016, reaching an all-time low of 290 in February 2016. This decline has impacted vessel utilisation rates as excess vessels are docked and operators manage capital expenditure to reduce costs.
- 4.25 On the other hand, the global maritime SATCOM market reached 368,000 terminals, US\$816 million in revenue at the satellite operator level and close to US\$1.6 billion in revenue at the service provider level in 2015. Despite the currently unfavourable economic environment due to oversupply in merchant capacity and lower oil prices, Euroconsult forecasts the value of the global maritime satellite communications market to double over the next decade, with a CAGR of 6 per cent. in terminals and 8 per cent. in revenue over the ten year period.

- 4.26 Within this market, the largest end markets for maritime SATCOM solutions, in terms of value, are merchant shipping vessels, fishing vessels and offshore oil and gas platforms and supply vessels. These segments represent a substantial portion of the global maritime fleet with approximately 68,000 merchant vessels, 370,000 industrial fishing vessels and small fishing boats and 8,600 rigs and offshore supply vessels. Merchant vessels present the most attractive segment as current very-small-aperture terminal (VSAT) penetration is less than 10 per cent. and mandatory IMO requirements, such as the requirement for dedicated firefighting radios provide incremental business growth opportunities.
- 4.27 The Group addresses the specific SATCOM terminal and safety radio niches within the maritime SATCOM market. The Group estimates that it holds approximately 37 per cent. of its served addressable market for mobile satellite services (MSS), VSAT and television receive-only (TVRO) satellite communication terminals and high-end maritime safety radios. It identifies its key competitors in radio and L-Band MSS markets as Furuno and Japan Radio Company (both Japan), and in VSAT and TVRO markets Intellian (South Korea) and KVH (U.S.). It maintains a leading position due to its strong competitive differentiators:
- (a) extensive distribution channels;
 - (b) global service network;
 - (c) strong brands, including SAILOR, which are well established and respected in the market for product quality, performance and reliability;
 - (d) reputation for innovative products (SAILOR GX60 recently won the MSUA Satcom Innovation Award); and
 - (e) engineering coverage in all disciplines and all product verticals of antennas, modems and systems.
- 4.28 The Directors expect increasing data communications requirements and the launch of new generation high throughput satellite (HTS) systems, such as Inmarsat's Global Xpress (GX) programme, to drive the growth in this market. Inmarsat is set to be the world's first superfast global broadband provider, with services to be delivered through three Boeing-built Generation V satellites. Global commercial service introduction was achieved for GX during December 2015, with high-speed connectivity services due to be introduced to specific markets during the course of 2016. The Group was selected to be a GX terminal manufacturer for both the maritime and land markets, and this modernisation is expected to drive sales in VSAT and TVRO antennas. The introduction of Ka-Band terminals is expected to substitute existing C-Band and Ku-Band VSAT products, supplementing growth and allowing the repurposing of existing L-Band capacity for lower cost/high volume markets such as fisheries, providing further growth opportunities.

Wireless communications

- 4.29 The Group established a position in the wireless communications market through the acquisition of Axell Wireless in 2013, which was later expanded with the acquisition of the test business acquired as part of Aeroflex in 2014. These businesses respectively form the coverage and validation aspects of the Group's Wireless business unit and were brought together as the underlying market drivers for each are similar.
- 4.30 4G deployments in the wireless communications market began to slow during 2015. Nonetheless, 5G spending is expected to commence in 2017, starting the next mobile infrastructure investment cycle.
- 4.31 Whilst the wireless market has experienced some near-term headwinds, the Directors believe that the longer term trends underlying the industry remain positive. The proliferation of connected devices is driving growth across the commercial wireless market, with global data traffic expected to grow exponentially through the balance of the decade. Major investment and engineering resource is now focused on capturing additional spectrum, enhancing device and network transmission and performance levels.
- 4.32 The communication test and measurement (CT&M) market continues to evolve as a consequence; test equipment is used to test the performance of wireless base stations and cellular networks, by stress testing products and performing quality control through every stage of the product or network's lifecycle. MarketsandMarkets estimates that the CT&M market will grow from around US\$4.3 billion in 2015 to approximately US\$6.7 billion in 2020 as end users increasingly rely on test equipment to ensure high-quality performance and service delivery, alongside the growing smartphone adoption rate and mobile data

traffic increases. The growth in global telecommunication research and development spending supports the Group's long-term growth outlook, as wireless technology advances, such as 4G deployments and 5G development, increase demand for telecom equipment and devices.

- 4.33 The Group has invested in its TM/E500 product suite which allows customers that design, develop or deploy network infrastructure to load test networks with thousands of mobile phones. The market size of the lab and manufacturing market for wireless test solutions is estimated to grow from US\$0.9 billion in 2015 to US\$1.4 billion by 2020. The Group's products address a specific niche within this broad market and the Directors estimate that the Group holds a 33 per cent. share of the served addressable market. The Group identifies its key competitors in this market as Artiza (Japan), Prisma Engineering (Italy) and Viavi (U.S.).
- 4.34 The Group's coverage business is well positioned to address increasing customer demand for improved mobile device coverage. In-building wireless coverage has become a competitive necessity for building owners. As 90 per cent. of data traffic and 80 per cent. of voice traffic now emanates from within buildings, heterogeneous network (**HetNet**) topologies are required to meet the user quality of experience expectations of today's subscribers. HetNet deployments are predominantly focused around addressing two key issues; in-building coverage and outdoor coverage in rural areas.
- 4.35 The Group provides distributed antenna systems (**DAS**) and wireless coverage solutions for the public safety and cellular markets, with a specific focus on in-building and critical infrastructure applications. ABI Research estimates that the total in-building wireless market will double to US\$9.5 billion by 2020. Longer-term growth prospects for the cellular market appear strong given the expectation for rapid urbanisation in the developing world between now and 2030; the volume of urban construction for housing, office space and transport services over the next 40 years could roughly equal the total volume of such construction to date.
- 4.36 The Directors believe that the Group holds approximately 6 per cent. of the total addressable DAS market and is the number three player in the market and a market leader in public safety DAS, a market driven by increasing regulation that recognises the importance of having a reliable public safety network in place for first responders and during emergencies. The Group is also expected to improve its position in the cellular market with the launch of new digital DAS products in early 2016; *id*DAS. Key competitors in the DAS market include Commscope, Corning, JMA Wireless (all U.S.) and SOLiD (South Korea).

U.S. defence and security

- 4.37 For the year ending 31 December 2015, 36 per cent. of the Group's revenue was derived from its positions in the U.S. defence and security market where its principal offerings include air-to-air refuelling systems, missile actuation, aircraft oxygen, electronic warfare systems, radar sub-systems and microelectronic components. The U.S. defence and security market, the largest defence market in the world, is primarily driven by the level of United States Department of Defense (**DoD**) budget which is appropriated on an annual basis. The Group's U.S. defence and security business is driven by the magnitude of spending in the procurement and research, development, testing and evaluation accounts, known as investment accounts, within the DoD budget.
- 4.38 The Group provides customers with niche capability at the component and sub-system level. Many of the Group's platform positions within the U.S. defence and security market are highly defensible and we hold incumbent positions. As such, the Group's platform positions could provide long duration revenue streams over the life of the programme with significant barriers to entry.

United States Department of Defense budgets

- 4.39 The DoD budget for procurement and research, test development and evaluation (investment accounts), in constant dollars grew by 119 per cent. between 2000 and 2008 primarily as a result of the conflicts in Iraq and Afghanistan. Following the peak in 2008, coinciding with the withdrawal of troops from Iraq and Afghanistan, the DoD's investment accounts budget has fallen considerably, reducing by 38 per cent. between 2008 and 2015. For 2016, U.S. Congress approved a budget that represents an 11 per cent. investment account growth compared with 2015.
- 4.40 Throughout this downturn, the Group has positioned itself for the next market up-cycle by investing in next generation technologies aligned with expected market developments and customer needs.

Products, Market Position and Market Outlook

- 4.41 The Group serves the U.S. defence and security market through a variety of differentiated technologies and capabilities. Its components and sub-systems have a variety of applications including for electronic warfare, radar systems, space electronics, missile guidance systems, air-to-air refuelling, missile actuation and aircraft oxygen. The Board believes its capabilities are well aligned to DoD priorities as set out in the June 2015 document entitled 'The National Military Strategy of the United States of America'. These priorities include enhancing communications, networked intelligence and the ability to project force swiftly around the world.
- 4.42 General conditions in the U.S. defence and security market have begun to stabilise throughout 2015 and into 2016. This has been underpinned by a two-year bipartisan agreement covering 2016 and 2017. The agreement includes a year-on-year increase in the investment budget for 2016. The 2017 President's budget provides for growth in the base DoD budget of 2.5 per cent. CAGR from 2015 to 2021, with investment accounts growing at 3.6 per cent. CAGR over the same period. These figures do not include additional DoD spending for the Overseas Contingency Operations (OCO) account, which was established as a special wartime funding mechanism to pay for the conflicts in Iraq and Afghanistan. Recently, the DoD has used OCO funding to increase spending in the procurement and research, development test and evaluation investment accounts. Should this continue to occur, investment account spending may be even higher. However, despite evidence of this improving market environment, there is a time lag between budgetary approval and investment outlays, or the spending of the budget.
- 4.43 The Board believes the Group is well positioned on priority platforms within the DoD, particularly in aircraft, naval, missile and munitions, command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) and space systems programmes. Between 2015 and 2021, these market verticals are forecast to receive a combined US\$607 billion in DoD spending with procurement growth of 5 per cent., 4.8 per cent., 2.1 per cent., 2.4 per cent. and -2.0 per cent. CAGR respectively. However, there is also expected to be a two-way impact in this market, as there will be reduced funding for legacy positions as these are wound down to support increased investment in next generation programmes. Consequently it is believed that, over the coming years, individual company positioning on programmes will be the key determinant of growth.
- 4.44 It is a DoD priority to rebalance its military posture towards the Asia-Pacific region. In order to accomplish this, the Directors believe that the DoD must continue to invest in the navy. Within the naval market vertical, the Group provides electronic warfare and advanced radar components on next generation programmes such as the Aegis Ballistic Missile Defence to search, track and provide missile guidance functionality and the air and missile defence radar, the U.S. Navy's next generation integrated air and missile defence radar consisting of an S-band radar, an X-band radar and a radar suite controller. The Group considers its competition in this area to be BAE Systems, Harris Corporation, Kratos and Northrop Grumman.
- 4.45 The Directors believe that the recapitalisation of an ageing aircraft fleet is likely to drive continued DoD spending on aircraft procurement, particularly in the DoD's priority KC-46A and F-35 programmes. The Group's air-to-air refuelling capability is represented on all major U.S. aerial refuelling tankers, including the KC-46A Pegasus, the U.S. Air Force's next generation aerial refuelling tanker. The U.S. Air Force is expected to acquire 179 KC-46A tanker aircraft through 2027. In addition to KC-46A, the Group provides critical electronic warfare capability to the EA-18G Growler, life support and weapons carriage and release systems on the U.S. Air Force's F-16, F-16 and F/A-18 aircraft, a variety of life support, weapons carriage and release and microelectronic systems on the P-8 and E-2D aircraft. Key competitors in the aircraft market vertical include Honeywell, Parker Hannifin, Federal Industries, United Technologies and Harris Corp.
- 4.46 As regional conflicts around the globe continue to simmer, the Directors believe that the U.S. demand for missiles and munitions is predicted to remain buoyant for the foreseeable future. The Group is well positioned on high volume and next generation missile and munitions programmes including the Paveway laser-guided bomb, Hellfire air-to-ground missile, AGM-88E anti-radiation guided missile, Small Diameter Bomb increment II and AIM-120 AMRAAM, providing critical capabilities in missile guidance and control actuation. Competitors in the missiles and munitions market segment include BAE Systems, Moog, Northrop Grumman and Woodward Governor.
- 4.47 The Directors expect that the requirements for real-time secure communication, enemy surveillance and intelligence gathering will continue to grow and so too will the need for equipment and military systems that facilitate C4ISR capabilities. The Group is well placed to capitalise on this market trend with important positions on priority DoD programmes such as WIN-T and research and development of future electronic warfare and radar technologies. These next generation systems are of strategic importance for the DoD by enabling communications and information sharing in remote environments, providing electronic attack capability to jam enemy radar and communications and allowing for increased data gathering on threats around the globe.

- 4.48 Many C4ISR capabilities rely on space systems such as satellites to enable communications, navigation, missile warning, space situational awareness and environmental monitoring capabilities. Space dominance and security is a critical element for the DoD to effectively battle against sophisticated adversaries employing advanced warfighting capabilities. The Group's positions in space on programmes such as Global Positioning System III, advanced extremely high frequency satellites and space based infrared systems provide enduring capabilities that will be used for decades.
- 4.49 With the ability to take off and land where fixed wing aircraft are unable to, coupled with significant combat capability, rotorcraft are a significant part of the DoD's military resources. Cobham addresses the rotorcraft market as a supplier to platforms such as the AH-64 attack helicopter, UH-60 transport helicopter and V-22 tiltrotor aircraft. Competitors in the rotorcraft space include AMSAFE, General Dynamics, Harris Corp., Honeywell, Parker Hannifin and Raytheon.
- 4.50 A summary of key U.S. defence and security programmes including forecasted DoD spending and procurement quantities for which Cobham supplies sub-systems is depicted in Table 1.

Table 1: Key Cobham U.S. Defence and Security platforms and programmes

Market Vertical	Platform / Programme	2016 - 2021		Group Supplied Capability
		DoD Forecast Spending ⁽¹⁾	Forecasted Quantities ⁽¹⁾	
Naval	Aegis Ballistic Missile Defence	\$0.3bn	6	• Radar
	Air and Missile Defence Radar	\$0.7bn	n/a	• Radio Frequency
	KC-46A	\$18.6bn	87	• Aerial Refuelling
				• Body Fuel Tank
Aircraft	F-35	\$63.8bn	472	• Fuel Tank Inerting
				• Oxygen Systems
	C-130 Family	\$9.5bn	97	• Electro-optical targeting
				• Fuel Tank Inerting
F/A-18	\$10.4bn	21	• Microwave components	
			• Radar and electronic warfare	
P-8A	\$10.2bn	47	• Aerial Refuelling	
			• Fuel Tanks	
E-2D	\$6.4bn	28	• Oxygen Systems	
			• Oxygen Systems	
EA-18G	\$1.5bn	10	• Weapons Carriage & Release	
			• Electronic Warfare	
MQ-9	\$4.3bn	57	• Antenna Systems	
			• Oxygen Systems	
RQ-4	\$0.6bn	n/a	• Weapons Carriage & Release	
			• Aerial Refuelling	
				• Oxygen Systems
				• Electronic Warfare
				• Oxygen Systems
				• Avionics Systems
				• Integrated Electronics
				• Emergency Actuation
				• Microelectronics

Market Vertical	Platform / Programme	2016 - 2021		Group Supplied Capability
		DoD Forecast Spending ⁽¹⁾	Forecasted Quantities ⁽¹⁾	
Missiles & Munitions	F-16	\$2.3bn	n/a	<ul style="list-style-type: none"> Oxygen Systems Weapons Carriage & Release Radar components
	F-15	\$6.4bn	n/a	<ul style="list-style-type: none"> Oxygen Systems Weapons Carriage & Release Antenna systems
	AGM-88E HARM	\$1.1bn	n/a	<ul style="list-style-type: none"> Microelectronics
	Paveway II laser-guided bomb	\$3.2bn ²	n/a	<ul style="list-style-type: none"> Control actuation
	Hellfire	\$1.7bn	13,974	<ul style="list-style-type: none"> Control actuation
	Small Diameter Bomb Increment II	\$1.8bn ³	10,304 ³	<ul style="list-style-type: none"> Control actuation
	AIM-120 AMRAAM	\$4.4bn	3,464	<ul style="list-style-type: none"> Microelectronics
	Tactical Tomahawk	\$1.6bn	249	<ul style="list-style-type: none"> Propulsion
	PAC-3 Patriot	\$1.4bn	n/a	<ul style="list-style-type: none"> Microelectronics
	C4ISR	WIN-T	\$4.1bn	8,929
Space Systems	Global Positioning System III	\$3.8bn	11	<ul style="list-style-type: none"> Propulsion system Radiation Hardened Microelectronics
	Advanced Extremely High Frequency satellites	\$4.4bn	n/a	<ul style="list-style-type: none"> Propulsion system Application Specific Integrated Circuits (ASICs)
	Space Based Infrared Radar	\$3.3bn	n/a	<ul style="list-style-type: none"> Propulsion System Radiation Hardened Microelectronics Safety and survival systems
Rotorcraft	H-60	\$10.1bn	656	<ul style="list-style-type: none"> Antenna Systems Integrated Electronics Microelectronics
Rotorcraft	V-22	\$8.5bn	68	<ul style="list-style-type: none"> Antenna Systems Oxygen Systems Fuel Tank Inerting Aerial Refuelling
	AH-64	\$7.7bn	339	<ul style="list-style-type: none"> Fuel Tank Inerting Antenna Systems Integrated Electronics Microelectronics

¹ United States Defense Department's Fiscal 2017 Future Years Defense Program

² Paveway II laser-guided bomb data sourced from the General Purpose Bombs line item title in the FY17 President's Budget

³ Small Diameter Bomb Increment II data sourced from Small Diameter Bomb line item title in the FY17 President's Budget

Non-U.S. defence and security

- 4.52 In the year ended 31 December 2015 the Group derived 26 per cent. of its total revenue from non-U.S. defence markets with major contributions from its special mission and helicopter services operations, antenna and avionics products, air-to-air refuelling expertise and advanced electronic solutions for defence applications. Over the next decade, the Board believes the Group is likely to benefit from its secure and sizeable non-U.S. defence market contracts along with increasing market activity. This has resulted in a 4 per cent. year-on-year increase in the Group's non-U.S. defence revenue in 2015. Since 2011 the Group has grown revenue recognised from this segment at a CAGR of 3.8 per cent.
- 4.53 The Group has a longstanding heritage of supporting non-U.S. defence customers and working to ensure safety and security – from supporting the Berlin airlift in 1948-49 to providing aircraft, crew and maintenance to the Australian Maritime Safety Authority, under the A\$640 million 12-year contract starting in 2016.
- 4.54 Demand for defence and security products is expected to increase. Uncertainty driven by regional tensions in the Middle East, Eastern Europe and the Asia-Pacific regions has led to global military expenditure rising by 1 per cent. in 2015, the first increase in global military spending since 2011. Notably, military spending in North America and Western and Central Europe, which has been declining year-on-year since 2009 due to the global economic crisis and the withdrawal of U.S. and allied troops from Afghanistan and Iraq, has begun to stabilise – showing signs that the period of decline is coming to an end.
- 4.55 Defence spending in Central Europe saw double digit increases in 2015 as countries bordering Russia and Ukraine increased military expenditure.
- 4.56 Western European expenditure, whilst declining in 2015 by 1.3 per cent. overall, saw its lowest rate of annual decline since the start of the reductions which began in 2010. Three key geographies for the Group are the United Kingdom, France and Germany and they have all recently announced plans for spending increases over the coming years in response to local conflicts in Eastern Europe and the continued terrorist threat. In 2015, France passed a law to increase its defence budget by 8 per cent. to €34 billion by 2019; Germany proposed increasing military investment to a total of €130 billion over the next 15 years and the United Kingdom announced its £178 billion investment plans for the coming decade with a £12 billion increase in equipment budgets. However, budgetary increases are not being applied throughout the region and, overall, public deficits and indebtedness remains high. This is likely to continue to hold back the rate of growth in European defence and security investment over the coming years.
- 4.57 Elsewhere in the world defence investments have varied. Countries accessible to the Group in the Middle East region rank amongst the largest regional importers of defence equipment and services worldwide and are anticipated to contribute to growth in the sector. Saudi Arabia holds its position as one of the world's largest spenders in defence and recently awarded the Group a 30-month contract to supply air support for operational readiness training services to the Royal Saudi Air Force. The Group's Aviation Services Sector significantly enhanced its capabilities in non-U.S. defence and security markets through the acquisition of FBH in 2013, which has added rotary wing to its existing fixed wing capability and strengthened the Group's presence in regions including the Middle East and the Caribbean. However, the recent notification that Cobham was not successful with the UK Military Flying Training Systems Rotary Wing Contract (the follow on from the Defence Helicopter Flying School Contract which ends April 2018) will impact the Sector.
- 4.58 Key competitors in the Group's Aviation Services defence market include: ATAC, Discovery Air, PAL and Raytheon (special mission); Airbus, Babcock, Bristow and DCI (helicopter services).
- 4.59 Based on its existing positions and portfolio of differentiated capabilities the Directors anticipate longer term growth opportunities in its international defence markets.

4.60 In addition to direct foreign sales, the Group benefits from export contracts won by its U.S. and non-U.S. defence customers that purchase and integrate the Group's components and sub-systems across a wide range of their platforms and programmes which are exported internationally.

4.61 Some of the most notable programmes using the Group's technologies are:

- (a) the Lockheed Martin F-35 joint strike fighter on which the Group has over 100 components. This aircraft is currently expected to be fielded by Australia, Canada, Denmark, Italy, the Netherlands, Norway, Turkey, the United Kingdom and has been sold through the U.S. Government's Foreign Military Sales channel to Israel, Japan and South Korea;
- (b) the Boeing KC-46A Pegasus for which Cobham provides the complete aerial refuelling systems. The U.S. Air Force awarded Boeing a next generation tanker contract in 2011. Boeing is contracted to build 179 KC-46 tankers for the Air Force by 2027 and has agreed to sell a further three to Japan, with talks regarding a possible sale to the Israeli Airforce underway;
- (c) the Lockheed Martin KC-130 on which the Group will continue to deliver its air-to-air refuelling systems. This aircraft will be operated by the United States, France, Kuwait and Saudi Arabia;
- (d) Dassault Rafale – with over a hundred aircraft already delivered and operational. Dassault recently reported a backlog for the Rafale of 38 aircraft for France, 18 aircraft for Egypt and 24 aircraft for Qatar; currently Dassault is in negotiations to close a 36-aircraft deal with India.
- (e) the Airbus A400M, of which there are 24 in service flying with the Group's equipment, with a further 33 tanker variants on order which will be fielded by France, Germany, Spain, and Malaysia; and
- (f) the Airbus A330 multi role transport tanker, of which 49 aircraft have been ordered by seven major air forces (Australia, Saudi Arabia, United Arab Emirates, United Kingdom, Singapore, France and South Korea). The Group's under-wing refuelling pods are standard fit on these aircraft (27 of which are now in service), being compatible with NATO and allied probe-equipped receivers including the Eurofighter, Tornado, Jaguar, F/A-18 Hornet and Sukhoi 30.

In addition, missile exports have been a recent revenue growth driver for the Group's Mission System and Advanced Electronic Solutions Sectors and the Group expects its technology positions on a number of exported U.S. platforms including the Raytheon AMRAAM, Orbital ATK AARGM and Lockheed Martin Patriot to see continued demand based on U.S. Foreign Military Sales data for 2015.

4.62 The Group also has positions on a number of in-service defence aircraft fleets from which it benefits from ongoing deliveries and aftermarket sales. These platforms include the Boeing F-15 programme, originally built for the U.S. Airforce and has been exported to Israel, Japan, South Korea and Saudi Arabia; the Boeing E/A-18 Growler with electronic awareness and attack capabilities; the F/A-18 E/F Super Hornet, of which the latest variant comes complete with the world's first tactical multi-mode AESA radar, leveraging Cobham microelectronics; and the Lockheed Martin F-16 which has been sold to 28 customers around the world.

4.63 Despite declining oil revenue, several other oil-exporting countries continued to increase military spending in 2015. Many of these countries were involved in conflict or faced with heightening regional tensions.

4.64 Non-U.S. defence market competitors in this market include L-3, Meggitt, Teledyne, Thales, Ultra Electronics and Rockwell Collins.

5. Operating Sectors

Communications and Connectivity

Overview

5.1 The Communications and Connectivity Sector 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. The Sector has operating locations in the United States, the United Kingdom, Denmark, France, South Africa, Finland and Sweden with a focus on the commercial aerospace, marine, wireless and other markets, and on defence.

5.2 The Communications and Connectivity Sector comprises five business units:

- (a) *aerospace communications* – developing avionics, connectivity, slip rings and microwave components for both air and space platforms in the fields of defence, security and commercial aerospace. Within this sub-segment, the Group is a leader in the design and manufacture of a range of avionics for commercial and military aircraft, covering airborne communications, audio and radio management, servers, and routers. It also designs and manufactures internal and external lighting solutions, clocks and slip rings for commercial, business and military aircraft;
- (b) *antenna systems* – supplying advanced, integrated systems for communication and navigation, secure airborne communications, microwave antennas, interference cancellation systems, lightweight masts and specialist technical services. The Group has expertise in the development of advanced ground-penetrating radar detection systems to support counter-improvised explosive device and mine clearance operations. Cobham is also a leading supplier of vehicle intercom systems;
- (c) *SATCOM* – delivering communications and internet access in challenging and remote locations on land, at sea and in the air. The product offering includes aircraft cockpit and cabin communication, satellite communication at sea, TV-at-Sea™, navigation at sea, radio communication at sea, safety and regulation at sea and satellite infrastructure. In addition, the Group offers a range of portable and vehicular terminals to enable connectivity and telephony services from around the world;
- (d) *wireless* – providing advanced wireless coverage and mobile communications systems for improved connectivity, greater capacity and enhanced quality of experience. The Sector also provides cutting edge development of test tools for mobile and IP networks; and
- (e) *AvComm* – offering a range of avionics, communications and synthetic test, monitoring and control for commercial, government and military applications. The Group’s offering includes test equipment used by radio manufacturers, military, police, fire, and emergency response units to test handheld radios; avionics test equipment used in the design, manufacture and maintenance of electronics systems for aircraft; synthetic test equipment used to test satellites and transmit/receive modules prior to launch and deployment.

Results and Developments

- 5.3 In the year ended 31 December 2015, the Communications and Connectivity Sector generated £772 million in revenue, being 11 per cent. growth from the year ended 31 December 2014. The Sector represented 37 per cent. of the Group’s revenue in 2015, with the majority of revenue attributable to customers in the United States, Europe and Asia-Pacific regions. This performance included significantly lower marine SATCOM volumes, particularly in the fourth quarter, which was impacted by adverse demand conditions in shipping and oil and gas markets, as well as lower wireless revenue, after a strong 2014.
- 5.4 The first quarter of 2016 has seen growth in maritime SATCOM with the launch of the new GX satellite constellation as well as in aerospace communications.
- 5.5 Multiple programmes are under development aimed at securing growth across the Sector:
- (a) Full digital integrated radio and audio management systems: key evolution of Cobham’s audio and radio management platforms leveraging evolution to IP for the audio route and computerisation of selected functions to integrate more capabilities in the cockpit, reducing the need for cabling as well as reduced size and weight.
 - (b) Multifunction antennas: several programmes aimed at integrating additional functionality (new safety requirements or existing dedicated products) into existing antennas, while retaining existing services, with the intention of reducing the amount of equipment on existing and new platforms.
 - (c) AVIATOR S: the development of a family of SATCOM systems, which are smaller and lighter than current SATCOM systems providing the combination of IP, ACARS data and voice capabilities. The ACARS and IP data links allow connectivity on the aircraft to devices such as the cockpit EFB, onboard maintenance computers and devices used by crew to service passengers. The Aviator S antennas offer single to dual SwiftBroadband channels with data segregation between safety and non-safety aircraft domains.
 - (d) NGMP: a new test platform for RF applications offering hardware modularity and leveraging AXIe standards as well as Software modularity leveraging SCA standards, enabling scale from large, complex and distributed systems down to small, simple and embedded devices and covering new market opportunities.

- (e) Intelligent digital distributed antenna system: a new generation DAS system allowing real time dynamic management of various cellular signals to align with real time traffic evolution.

Mission Systems

Overview

- 5.6 The Group's Mission Systems Sector 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 has three primary operating locations in the United Kingdom and the United States. 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 systems and actuation systems. In each of its primary product areas, the Mission Systems Sector is a leader. The Sector's customers include Boeing, Lockheed Martin, Airbus, Raytheon and Embraer. The Sector comprises the following main product areas:
- (a) air-to-air refuelling – The Group has over 80 years' experience in nose-to-tail aerial refuelling systems and the Directors believe it is one of the most technically advanced suppliers of aerial refuelling systems in the world, with over 2,000 aerial refuelling systems delivered to defence customers worldwide for fixed and rotary-wing aircraft including positions on each of the next generation aerial refuelling tankers KC-46A, A330 MRTT, A400M and KC-390;
 - (b) pneumatic systems – The Group designs and manufactures market leading oxygen systems, fuel tank inerting systems, satellite propulsion systems and high pressure cylinders for aircraft, helicopters and satellites. Within each of these niches, the Group possesses leading technology and programme placement. Its oxygen systems are on many U.S. military aircraft flying today and its fuel tank inerting technology is employed on military and commercial aircraft such as Boeing C-17 Globemaster and the Boeing 787 Dreamliner; and
 - (c) actuation systems – The Group specialises in actuation systems and components for use in extreme environments with capabilities in weapons carriage and release, missile control actuation and emergency actuation. The Group's product portfolio of weapons carriage and release solutions are flying on jets such as Eurofighter Typhoon, Jaguar, F-15, F-16, F/A-18 and F-35. Its missile control actuation sub-systems are on high volume air-to-ground weapons such as the Paveway laser-guided bomb and Hellfire missile as well as next generation munitions such as the Small Diameter Bomb Increment II.

Results and Developments

- 5.7 In the year ended 31 December 2015, the Sector generated revenue of £382 million representing growth of 15 per cent. from the year ended 31 December 2014. The Sector represents 18 per cent. of the Group's revenue for 2015, with the majority of revenue from defence and security customers in the United States.
- 5.8 In 2015, the Group achieved several strategic successes, including:
- (a) representing a significant milestone, the Boeing KC-46 flight test programme commenced in September 2015. Cobham is supporting Boeing through the test programme with 18 aircraft expected to be delivered to the U.S. Air Force by January 2018, following a five month delay to anticipated delivery by Boeing as announced by the U.S. Air Force on 27 May 2016. The revised delivery timetable remains within the scope of Cobham's planning thresholds in respect of the KC-46 programme;
 - (b) low rate initial production deliveries of the wing dispense aerial refuelling equipment commenced in October 2015 for the Airbus A400M final assembly line;
 - (c) an initial agreement with a launch airline customer for the new, high performance and long life air separation module (ASM) for Boeing 737NG operators. The ASM is the heart of the safety system which delivers inert gas to aircraft fuel tanks, thereby reducing fire risk;
 - (d) robust missile actuation orders continued for control sub-systems on high volume air-to-ground missiles and laser guided munitions;
 - (e) initial orders received for the sector's new lightweight polymer lined high pressure gas storage vessels. This technology, developed utilising experience gained in military and space applications, is targeted at commercial industrial markets, including compressed natural gas vehicles; and
 - (f) secured gas sensing technology, by license agreement, for integration into its suite of military oxygen systems to mitigate the risk of physiological events.

Advanced Electronic Solutions

Overview

- 5.9 The Group's Advanced Electronic Solutions Sector 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, with operating locations in the United States and Mexico.
- 5.10 The Sector comprises three business units with the following product areas:
- (a) *integrated electronic solutions* – The Group's integrated electronic solutions business delivers cost effective products which bring together radio frequency (**RF**) technology solutions for the integration of high performance systems for military and commercial customers. In addition, the Group is a leading supplier for RF interconnect solutions, which improve reliability of transmission and reception. It also supplies microwave RF devices, components and sub-systems for the aerospace, defence, fixed broadband, wireless/mobile, motion control and motors;
 - (b) *microelectronic solutions* – The Group supports the delivery of mission critical electronic warfare, missiles, communications and radar applications with a focus on delivering high capability electronic components and small sub-systems. Products include leading edge technology for electronic warfare applications, next generation radar applications and advanced precision guidance products for missiles and other high-end electronics applications; and
 - (c) *semiconductor solutions* – The Group designs, manufactures and markets high reliability application specific integrated circuits, circuit card assembly and radiation effects test services, microwave and RF devices, components and sub-systems for the aerospace, defence, fixed broadband and wireless/mobile markets.

Results and Developments

- 5.11 In the year ended 31 December 2015, the Sector generated £538 million in revenue delivering 31 per cent. growth from the year ended 31 December 2014. The Sector represented 26 per cent. of the Group's revenue for 2015, with the majority of revenue from defence/security customers in the United States.

Aviation Services

Overview

- 5.12 The Aviation Services Sector 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. The Aviation Services Sector operates in nine countries across the world with its primary operations based in the United Kingdom and Australia. The majority of the Group's Aviation Services Sector revenue is attributed to long-term contracts in the United Kingdom, Australia and the Middle East.
- 5.13 The Aviation Services Sector participates in three core market segments: rotary wing, special mission and commercial services. In each of these areas, it specialises in the operation, maintenance and modification of aircraft and holds a strong track record of delivering projects and services on time and on budget. There are four business units:
- (a) *helicopter services* – The Group provides helicopter operations, training and support for military and government markets with services including helicopter aircrew and maintenance training, airborne surveillance, SAR, rapid response operations, medical evaluation, troop transport and platform maintenance and support. The Group's civil and military registered helicopter operations support both military and government markets in eight countries across the world, including the United Kingdom, Qatar and the Caribbean;
 - (b) *special mission*
 - (i) The Group's special mission business delivers customised airborne surveillance, operational readiness training and SAR services for government, defence and commercial customers. With over 20,000 flight hours each year, the special mission business unit meets customer requirements with customised aircraft modifications, integrated sensor and mission systems, high utility reporting and collected data handling;

- (ii) From late Q3 2016, the special mission business will commence a 12-year, A\$640 million long-range SAR contract for the Australian Maritime Safety Authority which will utilise four specially modified Bombardier Challenger CL-604 aircraft;
 - (iii) The special mission business unit provides operational readiness training, including electronic warfare training, threat simulation, and target towing for armed forces around the world. Electronic attack is an evolving threat to military forces worldwide and by combining military experience and know-how with the latest technology, Cobham is able to provide effective simulations of real-life encounters with the latest airborne and maritime platforms;
- (c) *regional services* – The Group provides customised commercial aviation solutions with a focus on specialist support for natural resources customers and high capacity freight services. The business unit runs a fleet of closed charter aircraft for a range of commercial customers in Australia, specialising in transporting workers to operating sites in remote and challenging locations. The business has specialist capabilities in both the freighter and fly-in fly-out market as it operates the BAe 146 jet freighter, being the only aircraft of its type allowed to fly within curfew hours into Sydney Airport. It is also currently the only provider in Australia able to fly jet aircraft into unsealed runways in remote mining locations. Regional services’ customised quarantine facilities and airport management structures enable the business to add value to unique customer requirements; and
- (d) *airline services* – Contracted since 1991, the Group is the outsourced operator of the Australian Boeing 717 jet network for QantasLink. It is the only third party operating under the Qantas brand, with services including the provision of flight and cabin crew, aircraft maintenance and management of high capacity airline services across Australia, carrying more than two million passengers per year. In 2015, the Group operated over 30,000 flights a year on Qantas-branded aircraft, with an additional two entering service in 2016.

Results and Developments

- 5.14 Revenue for the Sector declined by five per cent. in 2015 to £390 million, due to the Australian dollar weakening against sterling. The majority of revenue for the year ended 31 December 2015 was attributable to commercial and government customers in Australia.
- 5.15 In 2015, Cobham successfully executed tenders and strategic goals to contribute to future growth, which included the following:
- (a) increased market share in the gravel kit market with the regional services business securing three new contract wins;
 - (b) the regional services business successfully extended Qantas freight services for a further two years;
 - (c) signed a teaming agreement with General Atomics to provide UAV whole life support in the UK and Australia;
 - (d) secured the Falcon 20 maintenance contract for the Norwegian Airforce and a contract with NATS windfarm for radar display software mitigation; and
 - (e) introduced the E190 aircraft, linked to an extension of Cobham’s Chevron contract in Australia.
- 5.16 From August 2016, the special missions business will provide a turn-key SAR capability for the Australian Maritime Safety Authority, with four specially modified Bombardier Challenger CL-604 special mission aircraft being provided for SAR over land and sea.
- 5.17 From March 2016, the airline services business expanded its operations with QantasLink with two B717 aircraft to give a total fleet of 20 B717 aircraft. The Qantas contract ends in 2018 and extension or renewal of this contract cannot be assured.
- 5.18 It has recently been announced that Cobham was not successful in securing the UK Military Flying Training Systems Rotary Wing Contract that follows on from the existing Defence Helicopter Flying School Contract in April 2018.

Divestments

- 5.19 The Group has an ongoing strategy of reviewing the markets in which it operates to ensure that all of its businesses fit within its strategic criteria. In the year ended 31 December 2015, the Group exited certain markets and technologies. These divestments included:
- (a) Weinschel, Inc. and Inmet, Inc. in June 2015, for US\$80 million;
 - (b) the Group's composites businesses in November 2015, for US\$200 million; and
 - (c) the Metelics business unit in December 2015, for US\$38 million.

In January 2016, the Group also divested its surveillance business for US\$10 million.

- 5.20 These divestments have enabled the Group to focus on areas of core capability and reduce portfolio complexity, helping it to concentrate investment in markets with the most attractive long term potential.

6. History of the Group

Cobham was incorporated and registered in England and Wales on 20 December 1889 with registered number 30470 as a private company limited by shares with the name Manitoba and North West Land Corporation Limited. On 13 May 1955, the Company changed its name to Flight Refuelling (Holdings) Limited. On 1 March 1982, Cobham was re-registered as a public company limited by shares and its name was changed to Flight Refuelling (Holdings) Public Limited Company. On 7 November 1994 the company name was changed to Cobham plc.

7. Customers

The Group's products are offered to a large and diverse customer base in over 100 countries. This customer base comprises leading international aerospace and defence companies, as well as some of the world's largest government defence departments. Each of these customers operates autonomously from the other in terms of their product needs, as well as their methods of awarding contracts. No single direct customer accounted for more than 6 per cent. of Group revenue for the year ended 31 December 2015.

8. Corporate Responsibility and Sustainability

Overview

- 8.1 Cobham's business model combines longstanding customer relationships with an understanding of customer needs, together with a desire to sustainably grow its business. It recognises the need to act responsibly and integrate environmental, social and corporate governance (**ESG**). Cobham also has a focus on ethics, safety, and developing and enhancing the critical skills and capabilities of its employees.
- 8.2 The Group's approach to corporate and social responsibility (**CSR**) is developed and implemented by a central team and overseen by a dedicated the CSR committee, which is chaired by the Chief Executive Officer of Cobham. Stakeholders are actively engaged by the CSR team to ensure that any ESG risks to the business are identified and managed by the implementation of internal policy and processes.
- 8.3 As the Group operates in highly regulated markets, compliance with applicable laws and regulations is key, and this is underpinned by a commitment to sustaining an ethical culture and acting responsibly with full legal compliance. To ensure that these standards are met, the Group has an ethics and compliance programme, encompassing policies, processes and activities overseen by a dedicated Business Ethics & Compliance committee and underpinned by a code of business conduct setting out the Group's core values and expectations. All employees receive training on ethics and compliance, with a dedicated independent hotline and website available to report any suspected violations.
- 8.4 In addition to its existing anti-corruption and responsibility programme, the Group is in the process of adopting best practice in the responsible management of its supply chain with a policy of preferring suppliers which can demonstrate responsible and sustainable business practices. Under this approach, suppliers must therefore positively address potential material risks such as bribery, human rights issues and hazardous materials which could otherwise adversely impact on the supply of products or the Group's reputation.

Environmental impact

- 8.5 The Group recognises that its business has an impact on the environment and that the environment also impacts the business. The Group's most significant environmental impact relates to greenhouse gas emissions from burning aviation fuel in the delivery of customer contracts, with additional significant Group contributions from logistics, business travel and facility energy consumption, as well as the consumption of water and raw materials in facilities, manufacturing processes and the supply chain. The two most significant environmental factors affecting the Group are the potential for adverse weather events interrupting its facilities and its supply chain, and increasingly stringent environmental legislation, taxes and evolving customer requirements.
- 8.6 The Group promotes an environmentally responsible culture to manage its impacts, comply with increasing environmental legislation, meet customer requirements, reduce operating costs and minimise business interruption. Many of the Group's products and services aim to derive competitive advantage from the efficient use of materials, fuel efficiency and low power consumption, which can provide operational benefits to users.
- 8.7 Measures used to manage the environmental impact of the business include: (a) reducing fuel consumption in older aircraft while transitioning to more fuel-efficient aircraft where appropriate; (b) introducing a 'design for environment' approach to the Group's engineering strategy, thereby ensuring legal compliance, reducing environmental impact and lowering costs to increase competitive advantage; (c) reducing emissions at its facilities by implementing efficiency measures; and (d) reinforcing business continuity measures and effective emergency response planning, in preparation for adverse weather events and natural disasters.
- 8.8 On a like-for-like basis, energy intensity decreased by 11 per cent. as the result of the implementation of the measures set out above, as well as from the divestment, closure and integration of sites. The overall carbon footprint of the Group increased by 15 per cent. in 2015, this was driven by the impact of the acquisition of Aeroflex, which is more energy intensive than the legacy business of the Group.
- 8.9 The Group has complied with the UK's Energy Saving Opportunity Scheme Regulations 2014 by undertaking independently reviewed energy audits at all its major UK locations. The audit identified potential annual savings of £360,000 across the United Kingdom portfolio based on a £1 million capital investment, with payback under three years. The Group is evaluating the recommendations, which include installation of light-emitting diodes, and voltage and building management system optimisation, to decide whether to implement them ahead of the next review in 2019. The Group intends to continue to set ambitious annual energy saving and carbon reduction targets for its facilities and for aircraft under its operational control, together with ongoing consideration of the development of best practice science-based targets for emission reductions. This will help the Group contribute towards the UN's goal of keeping global warming within two degrees of pre-industrial temperatures.

Working environment

- 8.10 The Group has a focus on attracting and retaining talented employees to ensure that it is able to execute its growth strategy, deliver on key programmes and meet service level requirements. This is achieved by strategic workforce planning, leadership and functional competency development, employee engagement, diversity and inclusion, and competitive reward practices, all of which is ultimately overseen by the Board.
- 8.11 As at 31 December 2015, 3.7 per cent. of the Group's workforce in the United Kingdom was employed as apprentices, graduates or undergraduate placements, with the Group remaining on track to meet its five per cent. commitment by 2019. The Group also continues to roll out its three-year Institute of Leadership and Management accredited line management training programme for more senior employees. Cobham will continue to invest in its training and development programmes going forward.
- 8.12 Employee retention and talent management is measured by voluntary staff turnover. While for 2015 this was 1.2 per cent. above the ten per cent. target for the year, this was largely attributable to the Group's organisational design project, which was largely completed in 2014. This involved a change in reporting lines and job roles for some employees, and it is anticipated that the higher staff turnover is a short term impact from these changes. In addition, the Group undertakes surveys of its employees, with feedback sessions to discuss key issues and potential solutions. In 2015, the Group became a core member of the Employer's Network for Equality and Inclusion, leading to the launch of a diversity and inclusion strategy and policy for North America, Europe and Asia-Pacific regional line led councils. In 2015, female employees made up 29 per cent. of the Group's workforce, with 15 per cent. female representation at senior management level and 20 per cent. at Board level.

- 8.13 The provision of a safe working environment is critical for the Group. The most significant safety risk is in the operation and maintenance of aircraft in the Aviation Services Sector which is addressed through regulator-approved safety management systems. Across the Group, there is also a 'zero harm' approach, which promotes a continuous improvement health and safety culture, implemented through the application of safety, health and environment (SHE) standards which in turn are implemented through a three tier performance matrix.
- 8.14 Business units are provided with SHE technical standards for the purposes of self-assessment and reporting on a quarterly basis, with accountability resting with line management and monitoring by a steering committee with Board oversight. Management therefore drives correct behaviours through monitoring safety training, risk assessments, workplace inspections and the reporting of near misses, while the incidence and severity of workplace injuries and illness measure the effectiveness of the Group's approach.

9. Regulatory Environment

- 9.1 The diversified nature of the Group's operations means it is subject to a wide range of regulatory requirements across the world governing a range of issues governing normal business operations such as health and safety and environmental protection.
- 9.2 The Group requires numerous licences and permits including, without limitation:
- (a) export licences and U.S. International Traffic in Arms Regulations (ITAR) approvals;
 - (c) health and safety approvals; and
 - (d) environmental permits.
- 9.3 As a supplier of specialist outsourced aviation services for military and commercial customers worldwide, the Group complies with the regulatory requirements of all aviation regulators applicable to the markets in which it operates.
- 9.4 As a supplier of defence equipment to the international market, the Group complies with strict export licensing requirements in each of the countries where it has operations. Licences to export defence products are strictly enforced by the Department of Trade in the UK and the State Department in the U.S., taking into account the nature of the products in question and the political and military stance of the destination country. U.S. technology is also subject to ITAR, which can impact both U.S. and non-U.S. businesses which incorporate specified U.S.-originated technologies in their products or solutions. The Group complies with the regulatory requirements applicable to U.S. government contracting and U.S. government security regulations.

10. Research and development and intellectual property

- 10.1 The Group is committed to investment in research and development and its success is dependent on it bringing to market new and improved products and services, with a focus on markets with positive, long term macro trends, favouring products and services which have application across a number of markets. Targeted investments across the Group's leading technologies is crucial to maintaining and increasing revenue. The Group makes significant investments in research and development, aligning its investment with developing products and services in attractive markets where there are growth opportunities, including avionics, SATCOM, wireless and microelectronics. In total, the Group invested £258 million in 2015, which includes amounts funded by its customers pursuant to specific programmes and contracts.
- 10.2 The Group continues to invest in a wide range research and development activities such as maritime and airborne SATCOM, air-to-air refuelling, avionics and radio test, life support and mission equipment, and defence electronics. Examples include the Sailor 100 GX and 60 GX Ka-Band antenna systems for Inmarsat Maritime systems and Sailor 656X GNSS and 657X differential global navigation satellite system navigation receivers. For avionics and radio test customers, the next generation modular platform can be incorporated into many of the legacy products and customers can leverage this development platform for their software communications architecture applications. The Group has also leveraged its fuel tank inerting technology from defence markets into commercial markets providing the Group with increased exposure to the commercial aircraft market, notably a standard fit position on the Boeing 787 aircraft and most recently a significant new award from a major airline on the Boeing 737NG. For defence electronics, the Group's investments support DoD high-reliability satellite missions when electronic parts obsolescence requires advanced technology upgrades and high power amplifier integration into new or retrofit radar and electronic warfare systems.

10.3 The identification and protection of intellectual property is an important aspect of the business of the Group. The Group has patents registered in the United States and the European Union, ranging from electronics and semi-conductors, to fluid and gas management and aeronautical engineering. Additional intellectual property assets include registered trademarks and trade secrets. Historically, the intellectual property portfolio of the Group was managed by the Group's business units on an individual basis; however the Group is considering moving to a centralised model for the management of intellectual property in order to optimise the benefits across the Group.

PART XII

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors and Employees

1.1 Directors

The current members of the Board are:

<u>Name</u>	<u>Position</u>	<u>Date of Birth</u>
John Devaney	(<i>Non-Executive Chairman</i>)	25 Jun 1946
Robert Murphy	(<i>Chief Executive Officer, Executive Director</i>)	23 Sep 1957
Simon Nicholls	(<i>Chief Financial Officer, Executive Director</i>)	9 Jun 1964
Mike Wareing	(<i>Senior Independent Non-Executive Director</i>)	9 Feb 1954
Alison Wood	(<i>Independent Non-Executive Director</i>)	28 Jun 1963
Alan Semple	(<i>Independent Non-Executive Director</i>)	29 Sep 1959
Mike Hagee	(<i>Independent Non-Executive Director</i>)	1 Dec 1944
Jonathan Flint	(<i>Independent Non-Executive Director</i>)	8 Feb 1961
Birgit Nørgaard	(<i>Independent Non-Executive Director</i>)	9 Jul 1958

The business address of each of the Directors is: Brook Road, Wimborne, Dorset BH21 2BJ, United Kingdom.

John Devaney – Non-Executive Chairman

John's executive career was built in engineering companies within the Varsity Group. John has previously served as Non-executive Director of Northern Rock Asset Management (between 2007 and 2010), Chairman of Marconi plc (later renamed Telent) and Chairman of National Express Group plc. He was President of Perkins Engines in the mid-1980s, and he went on to be President of Kelsey-Hayes, the automotive components manufacturer. He was subsequently Chief Executive of Eastern Electricity, the largest regional electricity company in the UK at the time. Following its acquisition by Hanson, he was appointed Chairman of Hanson's electricity division. John retired from his role as Non-executive Chairman of NATS (National Air Traffic Services) in August 2014.

Robert Murphy – Chief Executive Officer, Executive Director

Robert was with BAE Systems for 13 years from 1999, serving as a member of the Executive Committee of BAE Systems plc as Executive Vice President for the global operations of the product sectors business for BAE Systems, Inc., including the Electronic Systems, Land and Armaments and Platform Solutions Sector. He has also held a number of other senior operational and financial roles with BAE Systems. Prior to this, Robert spent 18 years with General Electric (GE), where he held numerous financial leadership positions, culminating in his role as CFO of the military engines operation of the GE Aircraft Engines Group. Previously, Robert has served on the Board of Trustees for the U.S. National Defense Industrial Association and the Board of Visitors for the Clark School of Engineering at the University of Maryland.

Simon Nicholls – Chief Financial Officer, Executive Director

Simon was CFO of Senior plc, the FTSE250 international manufacturing group providing engineered products for aerospace, defence and commercial industrial applications, a position he held from 2008. Previously, Simon was CFO of Hanson North America and prior to that he was Financial Controller for Hanson plc for three years. Simon spent nine years with Price Waterhouse, now PricewaterhouseCoopers LLP, in the UK and Canada, and four years working in senior financial positions. Simon served as a Non-executive Director of AIM listed Hamworthy plc from September 2011 until its takeover in February 2012. Simon is a Chartered Accountant. Cobham announced on 18 January 2016 that Simon will be leaving Cobham. The search to replace him is underway and, to ensure a smooth transition, Simon will remain in place until his successor has been identified and it is anticipated he will leave the company towards the end of 2016.

Mike Wareing – Senior Independent Non-Executive Director

Mike worked for KPMG from 1973 until 2009 when he retired. Between 2005 and 2009, he was International Chief Executive Officer, KPMG; Chairman, KPMG International Executive Team; and

Chairman, KPMG Iberoamerica Board. He was formerly the Prime Minister's Envoy for Reconstruction in Southern Iraq and the Economic Development Adviser to the Government of Afghanistan. Mike retired from his role as Non-Executive Director and Chairman of the Audit Committee of Wolseley plc in November 2014.

Alison Wood – Independent Non-Executive Director

Alison is engaged with a mix of not for profit and non-executive activities in the UK and New Zealand. She was formerly Global Director of Corporate Development and Strategy for National Grid plc. Previously, she was Group Strategic Development Director for BAE Systems plc responsible for corporate strategy, mergers and acquisitions, and strategic business development across the UK and the U.S. She has held three previous Non-executive Directorships: BTG plc from 2004 to 2008, THUS plc from 2007 to 2008 and GCHQ from 2009 to 2011.

Alan Semple – Independent Non-Executive Director

Alan is currently a Non-executive Director of Teekay Corporation. He was formerly CFO and a Director of John Wood Group plc, a role he had held since 2000, before retiring in May 2015. Prior to this, he held a number of senior finance roles in the John Wood Group from 1996. Alan previously served as the Group Finance Director of GRT Bus Group plc from 1994 to 1995, one of two companies which merged to form FirstGroup plc. Between 1987 and 1994, he was Finance Director at Seaforth Maritime Group Limited.

Mike Hagee – Independent Non-Executive Director

Mike served in the U.S. Marine Corps for almost 39 years, ending his career in 2007 as Commandant of the Marine Corps and a member of the Joint Chiefs of Staff. His numerous military assignments included Commanding General, 1st Marine Expeditionary Force, Deputy Director of Operations at the U.S. European Command and Executive Assistant to the Director of Central Intelligence. He also served in a number of diplomatic missions including the presidential diplomatic mission to Somalia. Mike retired from his role as Non-executive Director of Remington Outdoor Company Inc. in February 2015.

Jonathan Flint – Independent Non-Executive Director

Jonathan is currently an Executive Director of Oxford Instruments plc, a leading provider of high technology tools and systems for research and industry. He was formerly CEO of Oxford Instruments plc, a position he held between 2005 and 2016. Prior to this, he was the UK Managing Director of Vislink plc and he has also held management positions with BAE Systems and GEC Marconi Avionics. Jonathan was made a CBE in 2012.

Birgit Nørgaard – Independent Non-Executive Director

Birgit, a Danish national, currently holds a number of non-executive roles in the private and public sectors in the UK and overseas. Birgit's last executive role was as both the Chief Executive Officer of Grontmij Carl Bro, the Danish engineering consultancy group, as well as the Chief Operating Officer of Grontmij NV, the Dutch parent company. Birgit has an MBA from INSEAD.

2. Corporate Governance

The UK Corporate Governance Code, published by the Financial Reporting Council in September 2014 (the **UK Corporate Governance Code**), recommends that the Board with a premium listing should include an appropriate combination of executive and non-executive directors (and in particular independent non-executive directors), with independent non-executive directors (excluding the Chairman) comprising at least one-half of the board.

The Directors support high standards of corporate governance. The Company is currently in compliance with the UK Corporate Governance Code.

The Board comprises nine individuals, being the Chairman, two Executive Directors and six independent Non-Executive Directors. All Non-Executive Directors are considered to be independent and the Chairman was considered to be independent on appointment. They all held office during the financial year ended 31 December 2015, except Alan Semple, who joined the Board on 25 February 2015.

Under the UK Corporate Governance Code, the board of directors of the Company should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which

are likely to affect, or could appear to affect, the director's judgement and should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination. The composition of the Board is reviewed regularly by the Nomination Committee to ensure there is an appropriate mix of skills and a range of diverse experience.

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent director (the **SID**). The Company's SID is Mike Wareing. The SID's responsibilities include the provision of an additional channel of communication between the Chairman and the Non-Executive Directors. The SID also provides another point of contact for the shareholders if they have concerns that the normal channels of Chairman, Chief Executive Officer or other executive directors have failed to resolve or for which such channel of communication is inappropriate.

3. Audit, Remuneration and Nomination Committees

As envisaged by the UK Corporate Governance Code, the Board has established Audit, Remuneration and Nomination Committees. The UK Corporate Governance Code requires that the Audit Committee and Remuneration Committee should each have at least three independent non-executive directors and that, in the case of the Nomination Committee, a majority of the members should be independent non-executive directors.

3.1 Audit Committee

The Audit Committee consists of independent Non-Executive Directors only. The current members are Alan Semple, Jonathan Flint and Mike Hagee. Alan Semple, who chairs the Audit Committee, has recent and relevant financial experience as he is a chartered accountant.

The Audit Committee meets at least three times a year to coincide with key dates within the financial reporting and audit cycle. The committee's main responsibilities are to: (a) monitor the financial integrity of the financial statements of the Group and any formal announcements relating to its financial performance, reviewing accounting policies used and judgements applied; (b) oversee the Group's risk management procedures and internal control systems; (c) monitor and review the effectiveness of the Group's internal audit function; (d) make recommendations on the appointment, terms of engagement and remuneration of the external auditors; (e) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (f) develop and implement a policy on the engagement of the external auditor to supply non-audit services; and (g) monitor and review the Group's policies and practices concerning business conduct and ethics, including whistleblowing arrangements.

The terms of reference of the Audit Committee include all matters indicated by DTR 7.1 of the Disclosure and Transparency Rules and the UK Corporate Governance Code. The terms of reference of the Audit Committee, which were reviewed and updated in December 2015 and are in line with the latest regulatory developments, are available on the Company's website or on application to the company secretary. The terms of reference cover such issues as membership and the frequency of meetings, together with requirements of any quorum, for and the right to attend, meetings. The duties of the Audit Committee covered in the terms of reference include: financial and narrative reporting, risk management and internal control, internal audit, external audit, compliance, whistleblowing and fraud and reporting procedures and responsibilities. The terms of reference also set out the authority of the committee to carry out its duties.

3.2 Remuneration Committee

The Remuneration Committee consists of independent Non-Executive Directors only. The current members are Alison Wood, Birgit Nørgaard and Mike Wareing. The Remuneration Committee is chaired by Alison Wood. The Remuneration Committee meets at least three times a year and its main duties are to: (a) make recommendations to the Board on the Group's policies on Executive Directors' remuneration and ensure alignment to the strategic plan of the Group; and (b) determine, on the Board's behalf, the specific remuneration packages of the Chairman, Executive Directors, and company secretary.

The terms of reference of the Remuneration Committee are available on the Company's website or on application to the company secretary and cover such issues as membership and frequency of meetings, together with the requirements for quorum for and the right to attend meetings. The duties of the Remuneration Committee covered in the terms of reference relate to determining and monitoring policy on and setting level of remuneration, contracts of employment, early termination, performance-related pay, pension arrangements, reporting and disclosure, share schemes and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its duties.

3.3 *Nomination Committee*

The Nomination Committee consists of at least three members, the majority of whom shall be independent non-executive directors. The current members are John Devaney, Jonathan Flint, Mike Hagee, Birgit Nørgaard, Alan Semple, Mike Wareing and Alison Wood. The Nomination Committee is chaired by John Devaney.

The Nomination Committee meets at least twice a year. The committee's main responsibilities are to: (a) review the structure, size and composition of the Board; and (b) consider succession planning for Directors and other senior executives.

The terms of reference of the Nomination Committee are available on the Company's website or on application to the company secretary and cover such issues as membership and frequency of meetings, together with the requirements for quorum for and the right to attend meetings. The duties of the Nomination Committee covered in the terms of reference relate to the following: structure, size and composition of the Board, succession planning, Board appointments and recommendation to the Board. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its duties.

4. **Takeover Regulation**

The City Code on Takeovers and Mergers (the **City Code**) is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code when (a) a person acquires an interest in shares which (taken together with shares he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the City Code, or (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then, in either case, that person, together with the person acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights, unless the Company has obtained the approval of over 50 per cent. of its independent Shareholders in advance of such increase.

5. **Share Dealing Code**

The Company requires the Directors and other persons discharging managerial responsibilities (**PDMRs**) within the Group to comply with the Model Code, and takes all proper and reasonable steps to secure their compliance. Such steps include the introduction of a code for dealing in securities applicable to relevant individuals and the monitoring of such individuals' compliance with that code. The Company's code requires all employees, including PDMRs, submit a written request for permission to trade shares in the Company, stating whether the trade is to buy or sell shares and how many shares they wish to trade. This e-mail address is monitored by the company secretary.

PDMRs are prohibited from dealing during closed periods, for example from the half year or full year end to the date results are announced. Authorisation is granted only after taking certain factors into account, including whether the Company is in a closed period, whether any inside information exists regarding the Company and whether the employee holds any inside information about the Company.

PDMRs are required to seek approval from the appropriate person for share dealing. The Chairman must seek clearance from the Chief Executive Officer or if he is not present, from the Senior Independent Director, or a committee of the board or other officer of the Company nominated for that purpose by the Chief Executive Officer. The Chief Executive Officer must seek clearance from the Chairman or, if he is not present, from the Senior Independent Director, or a committee of the board or other officer of the Company nominated for that purpose by the Chairman. The company secretary or any Director must seek clearance from the Chairman or director designated by the board for this purpose.

PART XIII

SELECTED FINANCIAL INFORMATION OF THE COBHAM GROUP

The selected consolidated financial information set forth below shows the Group's historical consolidated financial information as at and for the years ended 31 December 2015, 2014 and 2013 and for the three month periods ended 1 April 2016 and 3 April 2015. The selected consolidated income statement, statement of comprehensive income, balance sheet, changes in equity and cash flow statement data set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Group's consolidated historical financial information incorporated by reference in Part XV: "Historical Financial Information Relating to the Cobham Group" of this Prospectus.

The selected consolidated financial information of the Cobham Group should also be read in conjunction with Part XIV: "Operating and Financial Review of the Cobham Group" and Part V: "Important Information" of this Prospectus.

Consolidated Income Statement

	Three months to		Year ended 31 December		
	1 April 2016 (unaudited)	3 April 2015 (unaudited)	2015 (audited) (£ in millions)	2014 (audited)	2013 (audited)
Revenue	408.7	495.0	2,072.0	1,851.7	1,789.7
Cost of sales	(304.5)	(351.4)	(1,408.2)	(1,290.1)	(1,220.9)
Gross profit	104.2	143.6	663.8	561.6	568.8
Selling and distribution costs	(34.5)	(36.6)	(130.1)	(100.3)	(84.7)
Administrative expenses	(105.1)	(134.4)	(521.7)	(403.7)	(328.4)
Share of post-tax results of joint ventures and associates	—	—	—	—	3.1
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Finance income	0.9	1.4	5.2	6.4	5.3
Finance costs	(14.7)	(16.3)	(57.0)	(39.7)	(37.5)
(Loss)/profit before taxation	(49.2)	(42.3)	(39.8)	24.3	126.6
Taxation	3.4	3.0	2.1	4.7	(12.1)
(Loss)/profit after taxation for the period	(45.8)	(39.3)	(37.7)	29.0	114.5
Attributable to:					
Owners of the parent	(45.9)	(39.3)	(37.8)	28.8	114.3
Non-controlling interests	0.1	—	0.1	0.2	0.2
	(45.8)	(39.3)	(37.7)	29.0	114.5
Earnings per ordinary share					
Basic	(4.08)p	(3.47)p	(3.35)p	2.60p	10.70p
Diluted	(4.08)p	(3.47)p	(3.35)p	2.58p	10.65p
Trading profit is calculated as follows:					
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Adjusted to exclude:					
Business restructuring	0.3	13.4	67.5	52.2	56.1
Derivative financial instruments	5.3	14.8	18.8	21.8	(2.2)
Amortisation of intangible assets arising on business combinations	42.1	40.3	176.8	113.6	103.9
Impairment of goodwill	—	—	26.6	—	63.0
Revaluation gain arising on equity interests in FBH	—	—	—	—	(62.1)
Exceptional legal costs	—	—	—	0.8	—
Other business acquisition and divestment related items	3.1	9.3	30.5	40.7	0.1
Trading profit	15.4	50.4	332.2	286.7	317.6
Underlying EPS	0.10p	2.46p	19.48p	18.48p	21.60p

Consolidated Statement of Comprehensive Income

	Three months to		Year ended 31 December		
	1 April 2016 <u>(unaudited)</u>	3 April 2015 <u>(unaudited)</u>	2015 <u>(audited)</u> (£ in millions)	2014 <u>(audited)</u>	2013 <u>(audited)</u>
(Loss)/profit after taxation for the period	(45.8)	(39.3)	(37.7)	29.0	114.5
Items that will not be reclassified subsequently to profit or loss					
Re-measurements of defined benefit retirement benefit obligations	1.6	3.5	29.6	(27.7)	(25.6)
Actuarial loss on other retirement benefit obligations	—	—	—	(0.7)	—
Tax effects	<u>(0.3)</u>	<u>(0.7)</u>	<u>(5.9)</u>	<u>5.0</u>	<u>4.1</u>
	1.3	2.8	23.7	(23.4)	(21.5)
Items that may subsequently be reclassified to profit or loss					
Net translation differences on investments in overseas subsidiaries	17.6	(21.7)	(38.2)	(18.7)	(11.1)
Reclassification of cash flow hedge fair values	—	0.3	1.1	1.3	4.5
Hedge accounted derivative financial instruments	(0.8)	(0.4)	—	1.6	0.6
Tax effects	<u>—</u>	<u>0.1</u>	<u>(0.2)</u>	<u>(0.9)</u>	<u>(1.2)</u>
	16.8	(21.7)	(37.3)	(16.7)	(7.2)
Other comprehensive income/(expense) for the period	18.1	(18.9)	(13.6)	(40.1)	(28.7)
Total comprehensive (expense)/income for the period	(27.7)	(58.2)	(51.3)	(11.1)	85.8
Attributable to:					
Owners of the parent	(27.8)	(58.2)	(51.4)	(11.3)	85.6
Non-controlling interests	<u>0.1</u>	<u>—</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>
	(27.7)	(58.2)	(51.3)	(11.1)	85.8

Consolidated Balance Sheet

£m	As at		As at		
	1 April 2016 (unaudited)	3 April 2015 (unaudited)	31 December 2015 (audited)	31 December 2014 (restated) (audited)	31 December 2013 (restated) (audited)
Assets					
Non-current assets					
Intangible assets	1,740.8	2,041.7	1,729.5	2,040.8	1,162.2
Property, plant and equipment	391.0	398.8	379.9	390.0	350.8
Investment properties	4.3	10.6	4.3	10.4	9.9
Investments in joint ventures and associates	3.3	3.0	3.0	3.1	3.1
Trade and other receivables	67.0	73.1	71.3	51.1	22.2
Other financial assets	6.1	6.1	6.1	6.1	6.1
Deferred tax	11.0	9.2	11.4	10.5	9.9
Derivative financial instruments	10.6	4.5	6.5	7.6	5.1
	2,234.1	2,547.0	2,212.0	2,519.6	1,569.3
Current assets					
Inventories	443.3	462.7	410.4	429.5	315.9
Trade and other receivables	339.4	393.2	366.0	435.3	317.7
Current tax receivables	6.2	0.6	8.6	0.4	0.8
Derivative financial instruments	2.8	2.5	9.1	8.7	6.6
Cash and cash equivalents	150.3	184.6	294.7	225.6	200.7
Assets classified as held for sale	—	2.2	16.8	2.1	8.2
	942.0	1,045.8	1,105.6	1,101.6	849.9
Liabilities					
Current liabilities					
Borrowings	(95.1)	(54.8)	(156.4)	(1.5)	(48.1)
Trade and other payables	(344.3)	(425.5)	(398.1)	(505.5)	(370.3)
Provisions	(92.3)	(72.1)	(74.3)	(60.5)	(34.4)
Current tax liabilities	(124.4)	(121.1)	(125.1)	(119.2)	(112.2)
Derivative financial instruments	(24.9)	(16.4)	(30.6)	(20.7)	(4.6)
Liabilities associated with assets classified as held for sale	—	—	(12.7)	—	(5.2)
	(681.0)	(689.9)	(797.2)	(707.4)	(574.8)
Non-current liabilities					
Borrowings	(1,369.6)	(1,492.4)	(1,345.1)	(1,446.8)	(606.0)
Trade and other payables	(37.0)	(42.7)	(24.8)	(36.2)	(38.0)
Provisions	(41.4)	(65.0)	(68.2)	(66.5)	(8.6)
Deferred tax	(93.2)	(127.3)	(102.0)	(134.5)	(52.9)
Derivative financial instruments	(19.9)	(25.3)	(13.9)	(15.5)	(7.4)
Retirement benefit obligations	(51.5)	(95.2)	(56.7)	(102.0)	(87.3)
	(1,612.6)	(1,847.9)	(1,610.7)	(1,801.5)	(800.2)
Net assets	882.5	1,055.0	909.7	1,112.3	1,044.2
Equity					
Share capital	30.4	30.4	30.4	30.4	28.9
Share premium	301.9	301.9	301.9	301.9	126.6
Other reserves	15.5	21.6	(0.3)	42.7	55.2
Retained earnings	533.7	700.2	576.8	736.4	832.7
Total equity attributable to the owners of the parent	881.5	1,054.1	908.8	1,111.4	1,043.4
Non-controlling interests in equity	1.0	0.9	0.9	0.9	0.8
Total equity	882.5	1,055.0	909.7	1,112.3	1,044.2
Net debt	(1,314.4)	(1,362.6)	(1,206.8)	(1,222.7)	(453.4)

Consolidated Statement of Changes in Equity

£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 2013	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4
Profit for the year	—	—	—	114.3	114.3	0.2	114.5
Items that will not be reclassified subsequently to profit or loss	—	—	—	(21.5)	(21.5)	—	(21.5)
Items that may subsequently be reclassified to profit or loss	—	—	(7.2)	—	(7.2)	—	(7.2)
Total comprehensive (expense)/ income for the year (audited)	—	—	(7.2)	92.8	85.6	0.2	85.8
Net purchase of treasury shares	—	—	—	(1.8)	(1.8)	—	(1.8)
Dividends	—	—	—	(96.6)	(96.6)	—	(96.6)
Share based payments	—	—	(1.7)	—	(1.7)	—	(1.7)
Release of hedge reserve	—	—	1.5	—	1.5	—	1.5
Transfer of other reserves to retained earnings	—	—	(4.2)	4.2	—	—	—
Tax effects	—	—	2.6	—	2.6	—	2.6
Total equity at 31 December 2013 (audited)	28.9	126.6	55.2	832.7	1,043.4	0.8	1,044.2
Profit for the year	—	—	—	28.8	28.8	0.2	29.0
Items that will not be reclassified subsequently to profit or loss	—	—	—	(23.4)	(23.4)	—	(23.4)
Items that may subsequently be reclassified to profit or loss	—	—	(16.7)	—	(16.7)	—	(16.7)
Total comprehensive (expense)/ income for the year (audited)	—	—	(16.7)	5.4	(11.3)	0.2	(11.1)
Issue of shares	1.5	175.3	—	—	176.8	—	176.8
Net proceeds from treasury shares	—	—	—	3.3	3.3	—	3.3
Dividends	—	—	—	(108.3)	(108.3)	—	(108.3)
Share based payments	—	—	6.1	—	6.1	—	6.1
Transfer of other reserves to retained earnings	—	—	(3.3)	3.3	—	—	—
Tax effects	—	—	1.5	—	1.5	—	1.5
Foreign exchange adjustments	—	—	(0.1)	—	(0.1)	(0.1)	(0.2)
Total equity at 31 December 2014 (audited)	30.4	301.9	42.7	736.4	1,111.4	0.9	1,112.3
(Loss)/profit 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)/ income for the year (audited)	—	—	(37.3)	(14.1)	(51.4)	0.1	(51.3)
Net purchase of treasury shares	—	—	—	(24.9)	(24.9)	—	(24.9)
Dividends	—	—	—	(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 (audited)	30.4	301.9	(0.3)	576.8	908.8	0.9	909.7

<u>£m</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
(Loss)/profit for the period	—	—	—	(45.9)	(45.9)	0.1	(45.8)
Items that will not be reclassified subsequently to profit or loss	—	—	—	1.3	1.3	—	1.3
Items that may subsequently be reclassified to profit or loss	—	—	16.8	—	16.8	—	16.8
Total comprehensive income/ (expense) for the period (unaudited)	—	—	16.8	(44.6)	(27.8)	0.1	(27.7)
Net purchase of treasury shares	—	—	—	1.5	1.5	—	1.5
Share based payments	—	—	0.8	—	0.8	—	0.8
Tax effects	—	—	(1.8)	—	(1.8)	—	(1.8)
Total equity at 1 April 2016 (unaudited)	30.4	301.9	15.5	533.7	881.5	1.0	882.5

Consolidated Cash Flow Statement

	Three months to		Year ended 31 December		
	1 April 2016 (unaudited)	3 April 2015 (unaudited)	2015 (audited) (£ in millions)	2014 (audited)	2013 (audited)
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Non-cash items:					
Share of post-tax profits of joint ventures and associates	—	—	(0.2)	(0.2)	(3.1)
Revaluation gain arising on equity interests in FBH	—	—	—	—	(62.1)
Depreciation and amortisation	59.5	61.3	254.4	190.8	235.1
Impairment of goodwill	—	—	26.6	—	—
Loss/(Profit) on sale of property, plant and equipment	3.8	—	(1.4)	(0.3)	(1.1)
Business acquisition and divestment related items	3.1	8.6	27.3	23.8	(1.6)
Derivative financial instruments	5.3	14.8	18.8	21.8	(2.2)
Pension contributions in excess of pension charges	(4.0)	(4.1)	(17.8)	(16.9)	(14.5)
Share based payments	0.8	2.0	(3.0)	6.1	(1.7)
Operating cash movements:					
Increase in inventories	(19.5)	(29.1)	(34.6)	(11.9)	(0.3)
Decrease/(increase) in trade and other receivables	47.4	29.0	19.1	(68.3)	(26.2)
(Decrease)/increase in trade and other payables	(62.8)	(30.1)	(38.6)	17.3	(0.3)
(Decrease)/increase in provisions	(13.5)	3.6	7.4	12.9	(3.9)
Tax paid	(3.7)	(9.7)	(31.5)	(37.0)	(37.6)
Interest paid	(9.6)	(11.0)	(53.0)	(31.5)	(33.7)
Interest received	0.6	1.2	3.6	3.7	5.0
Net cash (used in)/from operating activities	(28.0)	9.1	189.1	167.9	210.6
Cash flows from investing activities					
Dividends received from joint ventures	—	—	—	—	3.7
Purchase of property, plant and equipment	(21.8)	(25.0)	(97.8)	(63.7)	(58.0)
Purchase of intangible assets	—	(5.8)	(18.6)	(12.4)	(11.7)
Proceeds on disposal of property, plant and equipment	2.7	0.1	17.7	2.3	8.0
Investment in other financial assets	—	—	—	—	(6.1)
Loans repaid by joint ventures	—	—	—	—	2.1
Investment in loan notes	—	—	—	(9.0)	(18.3)
Acquisition of subsidiaries net of cash or debt acquired	—	(52.5)	(52.6)	(846.1)	(126.0)
Contingent consideration paid	—	—	—	(28.5)	(2.5)
Proceeds of business divestments	1.8	0.9	205.2	6.6	0.5
Net cash (used in)/from investing activities	(17.3)	(82.3)	53.9	(950.8)	(208.3)
Cash flows from financing activities					
Issue of share capital	—	—	—	176.8	—
Dividends paid	—	—	(122.1)	(108.3)	(96.6)
Purchase of treasury shares	—	(3.3)	(29.3)	(5.5)	(15.3)
Proceeds on allocation of treasury shares	1.6	3.6	4.4	8.8	13.5
New borrowings	—	47.0	257.9	1,467.5	67.0
Repayment of borrowings	(103.6)	(7.1)	(271.0)	(699.9)	(7.7)
Net cash (used in)/from financing activities	(102.0)	40.2	(160.1)	839.4	(39.1)
Net (decrease)/increase in cash and cash equivalents	(147.3)	(33.0)	82.9	56.5	(36.8)
Exchange movements	3.5	(6.7)	(13.2)	(31.2)	(14.4)
Cash and cash equivalents at start of year	294.0	224.3	224.3	199.0	250.2
Cash and cash equivalents at end of period	150.2	184.6	294.0	224.3	199.0

PART XIV

OPERATING AND FINANCIAL REVIEW OF THE COBHAM GROUP

The section that follows should be read in conjunction with paragraph 2 of Part V: “Important Information”, Part XI: “Business Overview of the Cobham Group” and Part XV: “Historical Financial Information Relating to the Cobham Group” of this Prospectus. Prospective investors should read the entire document and not just rely on the information set out below.

The financial information for the three months to 1 April 2016 and the three months to 3 April 2015 considered in this Part XIV has been extracted without material adjustment from the Group’s historical financial information as at and for the three months to 1 April 2016 and 3 April 2015 included elsewhere in this Prospectus. The financial information for the year ended 31 December 2015 considered in this Part XIV is extracted without material adjustment from the 2015 Annual Report and Accounts which are incorporated by reference in Part XV: “Historical Financial Information Relating to the Cobham Group” of this Prospectus. The financial information considered in this Part XIV for the year ended 31 December 2014 is extracted without material adjustment from the comparative period financial information contained in the 2015 Annual Report and Accounts which are incorporated by reference in Part XV: “Historical Financial Information Relating to the Cobham Group” of this Prospectus. The financial information considered in this Part XIV for the year ended 31 December 2013 is extracted without material adjustment from the comparative period financial information contained in the 2014 Annual Report and Accounts which are incorporated by reference in Part XV: “Historical Financial Information Relating to the Cobham Group” of this Prospectus.

In addition to historical information, the following discussion and other parts of this Prospectus contain forward-looking information that involves risks and uncertainties. Accordingly, the results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and the Group’s actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under Part II: “Risk Factors” of this Prospectus.

Overview

The Group is an international technology and services business, employing around 11,000 people across five continents with customers and partners in over 100 countries. The Group offers a range of technologies and services to solve challenging problems across commercial, defence and security markets. It has strong market positions in air-to-air refuelling; aviation services; wireless; audio, video and data communications, including satellite communications; defence electronics; life support and mission equipment. The Group operates in four Sectors:

- *Communications and Connectivity* – providing aircraft and in-building communication equipment, satellite communication equipment for land, sea, and air applications and test and measurement instrumentation for radio frequency, cellular communications and wireless networking;
- *Mission Systems* – providing safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting 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, including weapon carriage and release systems and missile control actuation sub-systems;
- *Advanced Electronic Solutions* – providing critical solutions for communication 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; and
- *Aviation Services* – delivering outsourced aviation services for military and commercial customers worldwide, including military training, special mission flight operations, outsourced commercial aviation, fly-in fly-out services to the natural resources industry and aircraft engineering services.

In the year ended 31 December 2015, the Group reported trading profit of £332 million (2014: £287 million; 2013: £318 million) on revenue of £2,072.0 million (2014: £1,851.7 million; 2013: £1,789.7 million). As at 1 April 2016, the Group’s net debt was £1,314 million.

Significant factors affecting the Group's results of operations

The Group's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Global economic and trading conditions

The Group's revenue is derived from commercial and global defence/security markets. Underlying customer demand is dependent on a complex mix of macroeconomic, fiscal, and strategic defence and security imperatives and the Group's results of operations are impacted by global economic and trading conditions in the markets in which it operates. The Group has recently encountered headwinds in some of its commercial markets primarily as a result of slowing growth in Asia-Pacific and the impact of the reduction in the price of oil and gas. Variations in government/customer demand levels or other external factors resulting from changes in these macroeconomic factors could lead to programme/contract terminations or delays, or changes in market growth rates. Deterioration in demand affecting short cycle businesses or a fundamental shift in how customers procure products or services could also have an adverse effect on the Group's future results.

During the periods under review, the Group has continued to experience weak trading in certain of its short cycle commercial markets, including the marine SATCOM and Wireless businesses with subdued market conditions being driven primarily by reduced underlying demand in Asia-Pacific, weakness in global oil and gas markets and reduced levels of research and development expenditure by prospective customers in wireless test markets, which have impacted the results of operations in the Communications and Connectivity Sector. The Group has also experienced weaker than anticipated trading in its commercial fly-in fly-out business, with certain natural resources customers in Australia slowing-down their operational activities, and increased competition which has resulted in reduced flying activity in this market. Combined with increased competition, this has impacted the results of operations in the Aviation Services Sector. In addition, there was deferred revenue in a small number of development programmes in the Advanced Electronic Solutions Sector. The Group has a contract with the UK Ministry of Defence to provide helicopter pilot training and other services, together with associated helicopter maintenance and modification, until April 2018. Airbus Helicopters UK Ltd has recently been selected as the aircraft service provider in support of the follow-on contract, which is expected to commence in April 2018. Annual revenue from the Group's existing activities under the contract was approximately 2 per cent. of the Group's total revenue for 2015.

Defence spending

The Group's results of operations are in part dependent on contracts awarded to the Group, which in turn are driven by on defence spending by governments and government priorities.

U.S. defence spending on procurement, and research, development, testing and evaluation has fallen significantly in recent years, principally due to the withdrawal of troops from Iraq and Afghanistan. However, investment spending is beginning to stabilise. In a June 2015 document, "The National Military Strategy of the United States of America", the investment priorities include enhancing communications, networked intelligence and the swift and decisive projection of force around the world. These priorities are aligned to the Group's differentiated communication related technologies, with its components and sub-systems having a variety of applications, including for electronic warfare, radar, missile guidance systems, and satellite actuation and power distribution modules.

In addition, on 2 November 2015, the President of the United States signed the BBA into law. The BBA sets fiscal year 2016 and 2017 DoD spending caps that exceed recent DoD budget funding levels and are expected to lead to a stable budget environment for those two years. In addition, while the spending cap increase does not meet the DoD's original 2016 base budget funding request or its planned 2017 funding level, it should provide for growth across the DoD's modernisation budgets for 2016 and 2017. Despite the expected stability in 2016 and 2017, defence budget funding levels, which are subject to budget and appropriation decisions and processes, are difficult to predict beyond the near-term.

Defence spending in non-U.S. defence/security markets is also showing signs of improvement. In particular, the Group has continued to see strong demand in Asia-Pacific and in the Middle East, where there are heightened regional security tensions and local conflicts. The Group has benefited from these market conditions, including orders from a number of different countries for missile control sub-systems on high volume air-to-ground missiles and laser guided munitions. In Europe, certain countries have started to increase their defence budgets modestly in response to heightened security threats. The United Kingdom, for example, has committed to

continue to spend 2 per cent. of its gross domestic product on defence and subsequently outlined its strategic priorities in the “National Security Strategy and Strategic Defence and Security Review 2015” published in November 2015. Budgetary increases are not, however, being applied throughout the region and overall public deficits and indebtedness remains high. This is likely to continue to hold back overall growth in defence/security investment in these countries.

Order intake

Order intake is future revenue for the Group. Although the Group typically invoices customers for payment upon shipment of products, delivery of services, or in some cases in accordance with contractual milestone payments, the Group records the total value of that contract as order intake once the Group has received an order or entered into a binding contract with the customer. In the year ended 31 December 2015, the Group’s order intake was £2,148 million, compared to £1,908 million in 2014, and benefitted from the receipt of significant orders in the Advanced Electronic Solutions Sector and the Mission Systems Sector for sub-systems and components for a number of multi-year missile programmes.

A significant proportion of the Group’s costs, such as payroll, facilities maintenance and debt service obligations are fixed. The Group’s profitability is therefore driven by the strength of the ongoing order book and the ability to convert orders into revenue. However, orders received in a given year may not be for goods or services to be delivered in that year and, in some cases, may be subject to amendment or cancellation. As a result, the Group’s order intake for any given period may not reflect the revenue or profit that the Group will generate during that period.

Operational performance improvement

The Group’s multi-year “Excellence in Delivery” programme, which was largely completed in 2014, has resulted in improvements in operational metrics such as on time delivery, supplier defective parts per million and supplier on time delivery during the period under review. This programme and subsequent continuous improvement activities are vital to the delivery of lower inventory and working capital levels. The Group has approximately doubled the number of continuous improvement personnel within the businesses to around 40 in total and to invest in other skills and capabilities that are critical to the business, including enhancing its project and programme management capabilities.

Aeroflex acquisition

The Group acquired Aeroflex in September 2014 for an enterprise value of approximately US\$1.5 billion. In May 2014, the Group agreed a US\$1,300 million acquisition finance facility to partially finance the acquisition of Aeroflex. The Group subsequently refinanced the bulk of this bridge loan facility in October 2014 with the proceeds of a US\$930 million senior note issue. The refinancing was completed in May 2015 when the Group refinanced the remaining US\$370 million by securing additional senior note and bank funding, which matures in tranches in 2018, 2020 and 2022.

Combining the Group’s and Aeroflex’s businesses was expected to generate an estimated US\$85 million of cost savings on an annualised, run rate basis, driven by the significant physical overlap in the U.S. The Group has made progress integrating the Aeroflex business, having achieved approximately £25 million (US\$37 million) of year-on-year cost savings in 2015. These cost savings have been achieved primarily through site integration activity, reduced Aeroflex head office costs, and direct and indirect supply chain benefits for the combined Group and have allowed the Group to direct these savings into other parts of the business. Business restructuring costs incurred in the year ended 31 December 2015, primarily relating to the Aeroflex integration, were £68 million.

The Directors expect that this progress will continue, resulting in the Aeroflex integration programme being complete by the end of 2017, with the total costs and benefits in line with the Group’s original expectations.

Divestments

During the period under review, the Group exited certain markets and technologies, to enable the Group to focus on its leading market positions and capabilities. These divestments have included:

- Weinschel and Inmet in June 2015, for US\$80 million;
- The Group’s composites businesses in November 2015, for US\$200 million; and
- Metelics in December 2015, for US\$38 million.

In January 2016, the Group also divested its surveillance business for US\$10 million.

Although resulting in earnings dilution, these divestments have reduced portfolio complexity, helping the Group to concentrate its operations in markets with the most attractive long term potential. These divestments have contributed to the Group's cash generation in the period under review and the Group ended the year ended 31 December 2015 with lower net debt, despite adverse year end translation rates, as the Group's debt is primarily denominated in foreign currencies.

Exchange rate fluctuations

The Company's reporting currency is sterling. However, the revenue and costs of various Group entities may be denominated in sterling, U.S. dollars, Australian dollars, euro, Danish krone or other currencies. Therefore, the Group is exposed to significant fluctuations in exchange rates when converting non-sterling amounts into sterling for reporting purposes. A fluctuation in the value of a relevant foreign currency against sterling will affect the Group's revenue and costs in a given reporting period, regardless of the operational performance of the Group or its margins for that period.

The following are the average rates for those foreign currencies that have the most impact on the translation of the Group's income statement:

	Average exchange rate for the year ended 31 December		
	2015	2014	2013
US\$/£	1.53	1.65	1.57
A\$/£	2.03	1.83	1.62
€/£	1.38	1.24	1.18
DKK/£	10.27	9.25	8.79

Foreign exchange translation exposure arises on the earnings of operating companies largely based in the U.S., Europe and Australia. These are partially offset by foreign currency denominated interest costs due to the Group's policy of generally funding acquisitions with borrowings denominated in the same currency, which provides a partial hedging of currency denominated profits.

After taking into account the hedging of the Group's foreign exchange translation exposure within the income statement, a combined one cent movement against the pound sterling in the average rate over one year's trading for the currencies above would have had a £1.1 million impact on Group profit before tax in 2015. The Group estimates that the U.S. dollar accounts for approximately two thirds of this impact.

Some 92 per cent. of the Group's anticipated transaction exposure in 2016 to the U.S. dollar/pound sterling exchange rate is hedged at an average rate of US\$1.53/£1, with additional hedging in place to partially cover anticipated exposure in subsequent years. 81 per cent. of the U.S. dollar/Danish krone exposure in 2016 is hedged at an average rate of US\$1/DKK6.76, again with additional hedging in place to partially cover anticipated exposure in subsequent years.

Key performance indicators

The Group tracks a number of key performance indicators in managing its business. These key performance indicators include non-IFRS measures. Accordingly, they should be viewed as supplemental to, but not as a substitute for, measures presented in the historical financial information relating to the Group, which are prepared in accordance with IFRS as adopted by the EU. The Group believes that these key performance indicators are useful indicators of the Group's performance. However, they may not be comparable to similarly-titled measures reported by other companies due to differences in the way they are calculated.

The table below sets out the Group's key performance indicators for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013 (restated)
Revenue (£ in millions)	2,072	1,852	1,790
Organic revenue growth (%)	(1)	(2)	(4)
Trading profit (£ in millions)	332	287	318
Trading margin (as a percentage of revenue) (%)	16.0	15.5	17.7
Underlying EPS (pence)	19.5	18.5	21.6
Operating cash conversion (%)	71	73	85
Return on invested capital (%)	11	12	15
PV investment (%)	8	7	6
Staff safety – major accident incident rate ⁽¹⁾	269	423	326
Voluntary staff turnover (%)	11	6	7

Notes:

(1) Major accident rate per 100,000 employees.

Revenue

Revenue provides a measure of the Group's business activity and period-on-period growth. See "Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Revenue", "Results of operations – Results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013 – Revenue", "Results of operations – Results of operations for the three months to 1 April 2016 compared to the three months to 3 April 2015". and "Segmental reporting – Segmental results of operations" below.

Organic revenue growth

The Group defines organic revenue growth as revenue growth stated at constant currency translation exchange rates, excluding the incremental effect of acquisitions and divestments.

The following table sets out the Group's organic revenue for the periods indicated:

	Communications and Connectivity	Mission Systems	Advanced Electronic Solutions	Aviation Services	Eliminations and Head Office	Group
	(£ in millions)					
2015						
Revenue	772	382	538	390	(10)	2,072
Acquisitions and divestments	112	—	128	—	(5)	235
Currency translation	(10)	15	32	(25)	—	12
Organic growth	(27)	33	(32)	3	(4)	(27)
2014						
Revenue	697	334	410	412	(1)	1,852
Acquisitions and divestments	82	—	60	46	(15)	173
Currency translation	(26)	(12)	(19)	(27)	(1)	(85)
Organic growth	(37)	(12)	(3)	28	(2)	(26)
2013						
Revenue (restated)	678	358	372	365	17	1,790

See "Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Revenue", "Results of operations – Results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013 – Revenue" and "Segmental reporting – Segmental results of operations" below.

Trading profit and trading margin

The Group defines trading profit as operating profit adjusted for the impact of business restructuring, derivative financial instruments, amortisation of intangibles, impairment of good will and other business acquisition and divestment related items. The Group defines trading margin as trading profit expressed as a percentage of revenue. See “Results of operations” for a reconciliation of trading profit and trading margin to operating profit.

Trading profit and trading margin provide a measure of the Group’s business activity and period-on-period growth adjusted for certain non-recurring items. See “Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Trading profit and trading margin”, “Results of operations – Results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013 – Trading profit and trading margin”, “Results of operations – Results of operations for the three months to 1 April 2016 compared to the three months to 3 April 2015 – Trading profit and trading margin” and “Segmental reporting – Segmental results of operations” below.

Underlying EPS

The Group defines underlying EPS as (loss)/profit before taxation adjusted for total operating reconciling items, non-underlying finance costs and the taxation charge on underlying profit, divided by the weighted average number of ordinary shares.

The table below sets out the Group’s underlying EPS for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
			(restated)
	(£ in millions, except as noted)		
(Loss)/profit before taxation	(40)	24	127
<i>Adjusted for:</i>			
Total operating reconciling items	320	229	159
Non-underlying finance costs	—	4	2
Underlying profit before taxation	280	257	288
Taxation charge on underlying profit	(60)	(52)	(57)
Underlying profit after taxation	220	205	231
Underlying EPS (pence)	19.5	18.5	21.6

Underlying EPS increased by 5 per cent. (7 per cent. at constant currency) to 19.5 pence in the year ended 31 December 2015, from 18.5 pence in the year ended 31 December 2014. The primary drivers of this increase as the net impact of acquisitions and divestments and efficiencies, partially offset by the dilutive impact of the May 2014 share placing and adverse foreign currency translation.

Underlying EPS decreased by 14 per cent. ((11) per cent. at constant currency) to 18.5 pence in the year ended 31 December 2014, from 21.6 pence in the year ended 31 December 2013, primarily reflecting the Group’s lower trading profit and the higher share count following the May 2014 equity issue.

Operating cash conversion

The Group defines operating cash conversion as operating cash flow expressed as a percentage of trading profit. See “Results of operations” below for a definition of trading profit and a reconciliation of trading profit to revenue. Operating cash flow is free cash flow before payment of tax, interest and restructuring costs.

The table below sets out the Group's operating cash conversion for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
	(restated)		
	(£ in millions, except for %)		
Trading profit	332	287	318
<i>Less:</i> Share of post-tax results of joint ventures	—	—	(3)
Depreciation, amortisation and other items	68	83	61
Pension contributions in excess of service cost and administration cost	(18)	(17)	(14)
Increase in working capital	(49)	(71)	(32)
Net capital expenditure	(98)	(74)	(61)
Operating cash flow	235	208	269
Operating cash conversion (%)	71	73	85

Operating cash conversion was 71 per cent. in the year ended 31 December 2015, as compared with 73 per cent. in the year ended 31 December 2014. Operating cash conversion in the year ended 31 December 2015 reflected increased working capital of £49 million and increased capital expenditure, which was £24 million higher, with the largest increase being within the Aviation Services Sector. The increase in working capital was in part due to higher inventory levels in short cycle businesses, as production was increased in anticipation of customer demand that did not materialise. The increased capital expenditure reflected continuing investment in the aircraft fleet as a result of winning multi-year awards in 2014.

Operating cash conversion was 73 per cent. in the year ended 31 December 2014, as compared with 85 per cent. in the year ended 31 December 2013. Operating cash conversion was lower in the year ended 31 December 2014 primarily due to a significant cash outflow from an increase in working capital. This included the impact from strong year end trading, an increase in debtors in Aviation Services due to the timing of receipts from customers on new contracts secured, and an increase associated with the Group's development contracts, including its aerial refuelling programmes.

Return on invested capital

The Group defines return on invested capital as trading profit expressed as a percentage of the average invested capital during the year, adjusted for certain non-recurring items. Invested capital comprises net assets adjusted to exclude net debt, retirement benefit obligations, derivative financial instruments, current and deferred tax, provisions and other financial assets.

The table below sets out the Group's return on invested capital for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
	(£ in millions, except for %)		
Trading profit	332.2	286.7	317.6
<i>Average invested capital</i>			
Net assets	909.7	1,112.3	1,044.2
<i>Add back:</i>			
Net debt	1,206.8	1,222.7	453.4
Retirement benefit obligations	56.7	102.0	87.3
Derivative financial instruments	28.9	19.9	0.3
Current tax	116.5	118.8	111.4
Deferred tax	90.6	147.3	43.0
Provisions	142.5	67.4	43.0
Accumulated amortisation and impairment of intangibles	395.5	352.9	248.9
Other financial assets	(6.1)	(6.1)	(6.1)
Invested capital	<u>2,941.1</u>	<u>3,137.2</u>	<u>2,025.4</u>
Average invested capital	3,039.2	2,581.3	1,952.1
Other adjustments ⁽¹⁾	16.5	(267.3)	118.8
Adjusted average investment capital	<u>3,055.7</u>	<u>2,314.0</u>	<u>2,070.9</u>
Return on invested capital (%)	10.9	12.4	15.3

Notes:

(1) Other adjustments reflect the impact of in-year averaging of the capital base, adjustments in respect of derecognised intangibles and adjustments in respect of tax effects embedded in goodwill.

Return on invested capital was 10.9 per cent. in the year ended 31 December 2015, as compared to 12.4 per cent. in the year ended 31 December 2014, primarily due to the impact of the Aeroflex acquisition in 2014, partially offset by an increase in trading profit in 2015 as compared to the prior year.

Return on invested capital was 12.4 per cent. in the year ended 31 December 2014, as compared to 15.3 per cent. in the year ended 31 December 2013, primarily due to the Aeroflex acquisition, which completed in 2014 and also, in part, to the lower trading profit generated as compared to the prior year.

PV investment

The Group defines private venture (**PV**) as company-funded research and development expenditure, which excludes the Aviation Services Sector in which there is no research and development activity, expressed as a percentage of revenue.

PV investment was £138 million, or 8.2 per cent. of revenue, in the year ended 31 December 2015, as compared to £97 million, or 6.7 per cent. of revenue, in the year ended 31 December 2014, primarily due to the full year impact of Aeroflex. PV investment was £97 million, or 6.7 per cent. of revenue, in the year ended 31 December 2014, as compared to £88 million, or 6.2 per cent. of revenue, in the year ended 31 December 2013. This increase included an initial contribution from Aeroflex PV investment during the year ended 31 December 2014.

Total research and development investment, including customer funded projects, was £258 million in the year ended 31 December 2015, as compared to £198 million in the year ended 31 December 2014. This included the full year impact on PV investment from Aeroflex and higher customer funded research and development investment primarily relating to aerial refuelling development programmes. Total research and development investment, including customer funded projects, was £198 million in the year ended 31 December 2014, as compared to £186 million in the year ended 31 December 2013. Customer funded research and development will moderate in 2016, as the Group moves from the development phase in its aerial refuelling programmes to low rate initial production.

Staff safety

The Group defines the major accident incident rate as the number of work-related injury/illness cases with three or more lost work days per 100,000 employees. The major accident incident rate was 269, 423 and 326, respectively, in the years ended 31 December 2015, 2014 and 2013.

Voluntary staff turnover

The Group defines voluntary staff turnover as the number of voluntary leavers divided by the average number of employees in the year, excluding employees who became redundant, were dismissed or retired. Voluntary staff turnover was 11.2 per cent., 6.3 per cent. and 6.9 per cent., respectively, in the years ended 31 December 2015, 2014 and 2013. Voluntary staff turnover was higher in the year ended 31 December 2015 as a result of an organisation design project which was largely completed in 2014, and which involved changes in role or reporting lines for some employees.

Description of key income statement items

Revenue

Substantially all of the Group's revenue is derived from the sale of goods and services. Revenue from services includes service contracts in the Aviation Services Sector together with logistics support, maintenance and repairs in other sectors.

Revenue is measured at the fair value of the right to consideration, net of returns and other allowances, and excludes intercompany sales, value added tax and other sales taxes.

Cost of sales

Cost of sales, for both products and services, consist of materials, labour, subcontracting costs, manufacturing overhead and company-funded PV expense. For contracts, the Group monitors the nature and amount of costs at the contract level, which form the basis for estimating total costs to complete the contract.

Selling and distribution costs

Selling and distribution costs consist primarily of personnel, facility and other expenses related to sales of the Group's products and services and management of inventory.

Administration expenses

Administration expenses consist primarily of personnel, facility and other expenses related to employees not directly engaged in manufacturing or sales activities. These activities include business development, finance, legal, information technology and other administrative and management functions.

Finance costs

Finance costs consist of bank overdraft and loan interest, loan notes interest, finance lease interest, amortisation of debt finance costs and interest costs for retirement benefit obligations.

Taxation

Taxation expense reflects the current and deferred taxes due or receivable in all applicable jurisdictions on the estimated assessable profits or losses arising out of transactions in the relevant financial period. Current tax is provided at the amounts expected to be paid, using rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current trading and prospects

On 26 April 2016, Cobham announced that following the slow start in the first quarter, the Board anticipated that Group underlying trading profit would be approximately £15 million below its previous expectations for the full

year. This was primarily due to a combination of the impact of increased headwinds in the commercial fly-in fly-out business in Australia and deferred revenue on a small number of development programmes in the Advanced Electronics Solutions Sector together with the one-off charge of £9 million in Wireless and the impact of short-term operational issues. The Board also expected there will be a more pronounced earnings bias to the second half of the year. The Board confirms the outlook for the year ended 31 December 2016 remains consistent with the 26 April 2016 statement.

Results of operations

During the year ended 31 December 2014, the fair values of assets and liabilities recognised on the acquisition of the Aeroflex businesses were marked as provisional. An ongoing detailed review by management of these amounts resulted in adjustments which reduced net assets acquired by £46.0 million, with an equal increase in goodwill. As a result, in accordance with IAS 8, the Group's consolidated balance sheet as at 31 December 2014 was restated in the 2015 Annual Report and Accounts.

During the year ended 31 December 2014, the Group transitioned to a new operational structure, and realigned its business segments. The former Aerospace and Security Division was renamed the Communications and Connectivity Sector and the former Defence Systems Division was renamed the Advanced Electronic Solutions Sector to reflect the commercial revenue it generates following the Aeroflex acquisition. The new structure is in place for purposes of financial reporting for the year ended 31 December 2014 and going forward. As a result of this realignment, revenue and trading profit for the year ended 31 December 2013 was re-presented on a basis consistent with the sectors as reported during 2014. Financial data for the year ended 31 December 2013 relating to the operations that were divested in the year ended 31 December 2014 were re-presented in the 2014 Annual Report and Accounts according to the realigned segments for the purposes of comparability. As a result, the results of those operations as stated in the 2013 Annual Report and Accounts differ from those in the 2014 Annual Report and Accounts.

The table below sets out the Group's results of operations for the periods indicated:

	Three months to		For the year ended 31 December		
	1 April 2016 (unaudited)	3 April 2015 (unaudited)	2015	2014	2013 (restated)
	(£ in millions)				
Revenue	408.7	495.0	2,072.0	1,851.7	1,789.7
Cost of sales	(304.5)	(351.4)	(1,408.2)	(1,290.1)	(1,220.9)
Gross profit	104.2	143.6	663.8	561.6	568.8
Selling and distribution costs	(34.5)	(36.6)	(130.1)	(100.3)	(84.7)
Administrative expenses	(105.1)	(134.4)	(521.7)	(403.7)	(328.4)
Share of post-tax results of joint ventures and associates	—	—	—	—	3.1
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
Finance income	0.9	1.4	5.2	6.4	5.3
Finance costs	(14.7)	(16.3)	(57.0)	(39.7)	(37.5)
(Loss)/profit before taxation	(49.2)	(42.3)	(39.8)	24.3	126.6
Taxation	3.4	3.0	2.1	4.7	(12.1)
(Loss)/profit after taxation for the year	<u>(45.8)</u>	<u>(39.3)</u>	<u>(37.7)</u>	<u>29.0</u>	<u>114.5</u>

The table below reconciles the Group's trading profit and trading margin to operating profit for the periods indicated:

	Three months to		For the year ended 31 December		
	1 April 2016	3 April 2015	2015	2014	2013
	(unaudited)	(unaudited)	(£ in millions, except for %)		
Operating (loss)/profit	(35.4)	(27.4)	12.0	57.6	158.8
<i>Adjusted to exclude:</i>					
Business restructuring	0.3	13.4	67.5	52.2	56.1
Derivative financial instruments	5.3	14.8	18.8	21.8	(2.2)
Amortisation of intangible assets arising on business combinations	42.1	40.3	176.8	113.6	103.9
Impairment of goodwill	—	—	26.6	—	63.0
Revaluation gain arising on equity interests in FBH ⁽¹⁾	—	—	—	—	(62.1)
Exceptional legal costs	—	—	—	0.8	—
Other business acquisition and divestment related items	3.1	9.3	30.5	40.7	0.1
Total operating reconciling items	50.8	77.8	320.2	229.1	158.8
Trading profit	15.4	50.4	332.2	286.7	317.6
Trading margin (as a percentage of revenue) (%)	3.8	10.2	16.0	15.5	17.7

Notes:

- (1) On 15 July 2013 an agreement was reached to acquire the 50 per cent. shareholding that the Group did not already own in FB Heliservices Ltd. The proceeds of the deemed disposal of the 50 per cent. interest previously held were valued at £74.2 million which generated the revaluation gain arising on equity interests in FB Heliservices Ltd of £62.1 million.

Results of operations for the three months to 1 April 2016 compared to the three months to 3 April 2015

Revenue

Revenue decreased by 17 per cent. to £409 million in the three months to 1 April 2016, as compared to £495 million in the three months to 3 April 2015. This decrease was primarily as a result of the effect of divestments made after 3 April 2015 and a combination of the impact of increased headwinds in the commercial fly-in fly-out business in Australia and deferred revenue on a small number of development programmes in the Advanced Electronics Solutions Sector together with the impact of short-term operational issues in the Wireless business.

Cost of sales

Cost of sales decreased by 13 per cent. to £305 million in the three months to 1 April 2016, from £351 million in the three months to 3 April 2015, primarily as a result of reduced trading during the quarter.

Selling and distribution costs

Selling and distribution costs decreased by 6 per cent. to £35 million in the three months to 1 April 2016, from £37 million in the three months to 3 April 2015, primarily as a result of the impact of divestments made after 3 April 2015.

Administrative expenses

Administrative expenses decreased by 22 per cent. to £105 million in the three months to 1 April 2016, from £135 million in the three months to 3 April 2015 primarily as a result of the impact of divestments made after 3 April 2015 partially offset by a lower business restructuring charge as compared to the prior year and lower costs from the mark to market of derivative financial instruments.

Finance costs

Finance costs were broadly flat for the three months to 1 April 2016 at £15 million as compared to the three months to 3 April 2015 at £16 million, benefitting by a small reduction in pension interest costs in the three months to 1 April 2016.

Taxation

Taxation credit increased by 13 per cent. to a credit of £3.4 million in the three months to 1 April 2016, from a credit of £3 million in the three months to 3 April 2015, driven primarily by a higher loss before taxation, mix effects from the results of the business and the tax treatment of non-underlying items.

Trading profit and trading margin

Trading profit decreased by 69 per cent. to £15 million in the three months to 1 April 2016, as compared to £50 million in the three months to 3 April 2015. This decrease was primarily as a result of lower revenue and a one-off charge of £9 million in the Wireless business during the period.

Trading margin decreased to 3.8 per cent. in the three months to 1 April 2016, as compared to 10.2 per cent. in the three months to 3 April 2015.

Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014

Revenue

Revenue increased by 12 per cent. to £2,072.0 million in the year ended 31 December 2015, as compared £1,851.7 million in the year ended 31 December 2014. This increase was primarily driven by the full year impact of the Aeroflex acquisition, net of divestments which completed during the year. There was also a £12 million net benefit from foreign currency translation, primarily relating to the strong U.S. dollar, which was partially offset by an adverse foreign currency translation of the Australian dollar, the euro and the Danish krone.

Organic revenue declined by 1 per cent. during the year ended 31 December 2015. The Group experienced growth of 4 per cent. in non-U.S. defence/security markets, where there was higher retrofit and aftermarket revenue for avionics products within the Communications and Connectivity Sector and increased revenue from actuation products for air-to-ground munitions within the Mission Systems Sector. In the U.S. defence/security market, organic revenue declined 1 per cent. There was increased aerial refuelling revenue from the Lockheed Martin C-130 and the Boeing KC-46 programmes within the Mission Systems Sector, but this was offset by lower volumes of integrated assemblies and microelectronics due to the continued run off of certain mature production programmes in the Advanced Electronic Solutions Sector.

The overall growth in defence/security markets was offset by a 6 per cent. decline in organic revenue in commercial markets, principally within the Communications and Connectivity Sector. While the sector benefited from growth in aerospace markets, driven by higher volumes of satellite communication (**SATCOM**) and avionics products, this was offset by significantly lower marine SATCOM volumes, particularly in the fourth quarter, which was due to reduced demand in oil and gas and shipping markets. The Group also experienced lower organic revenue from wireless products, after a strong 2014.

Cost of sales

Cost of sales increased by 9 per cent. to £1,408 million in the year ended 31 December 2015, from £1,290 million in the year ended 31 December 2014, driven primarily by the inclusion of a full year of revenue from the Aeroflex acquisition offset by the benefit of improved product mix, including the non-repeat of a one-off provision of £15 million recognised in 2014 against development programmes in the Mission Systems Sector.

Selling and distribution costs

Selling and distribution costs increased by 30 per cent. to £130 million in the year ended 31 December 2015, from £100 million in the year ended 31 December 2014, driven primarily by the inclusion of a full year's costs from the Aeroflex acquisition.

Administrative expenses

Administrative expenses increased by 30 per cent. to £522 million in the year ended 31 December 2015, from £404 million in the year ended 31 December 2014, driven primarily by increased amortisation of intangible assets arising on the Aeroflex acquisition, a goodwill impairment charge and write down of carrying values in the Telerob and Surveillance businesses, and the net profit on business disposals in the year, together with the inclusion of a full year's costs from the Aeroflex acquisition and lower costs from the mark to market of derivative financial instruments.

Finance costs

Finance costs increased by 43 per cent. to £57 million in the year ended 31 December 2015, from £40 million in the year ended 31 December 2014, driven primarily by the inclusion of a full year's interest charge on the borrowings associated with the Aeroflex acquisition.

Taxation

Taxation decreased by 55 per cent. to a credit of £2 million in the year ended 31 December 2015, from a credit of £5 million in the year ended 31 December 2014, driven primarily by the tax impacts of increased acquisition related intangible asset amortisation in 2015, businesses divested in 2015, movements in derivative financial instruments and the tax jurisdiction in which profits arose.

Trading profit and trading margin

Trading profit increased by 16 per cent. to £332 million in the year ended 31 December 2015, as compared to £287 million in the year ended 31 December 2014. This increase was driven by a full year contribution of £23 million from acquisitions net of divestments and a positive impact from efficiency savings, Aeroflex integration benefits and the non-repeat of the £15 million aerial refuelling provision taken in the year ended 31 December 2014. These effects were partially offset by the adverse impact of lower short cycle commercial volumes and an adverse revenue mix in the Advanced Electronic Solutions Sector.

Trading margin increased to 16.0 per cent. in the year ended 31 December 2015, as compared to 15.5 per cent. in the year ended 31 December 2014.

Results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013

Revenue

Revenue increased by 3 per cent. to £1,852 million in the year ended 31 December 2014, as compared to £1,790 million in the year ended 31 December 2013. This increase was due in part to an initial contribution from Aeroflex and the full year contributions from Axell Wireless and FB Heliservices Ltd (**FBH**). The increase in revenue was partially offset by a significant adverse foreign currency translation impact of £85 million, primarily due to a year-on-year strengthening in the average foreign exchange rate of sterling against each of the Group's four principal foreign currencies.

Organic revenue decreased by 2 per cent. during the year ended 31 December 2014. Organic revenue benefitted from growth in commercial markets of 5 per cent. Driven in part by a strong performance from the SATCOM business, which delivered growth in marine and aerospace markets. The Group's Aviation Services business also benefitted from growth during the year in Australia from its outsourced airline services business and its regional services business, although commercial growth moderated in the second half of year.

Full year organic revenue in U.S. defence/security fell by 4 per cent. in the year ended 31 December 2014, driven by a decline in demand in short cycle businesses. This included by lower revenue from counter-improvised explosive device products, antennas, composites and surveillance products. The Group also experienced lower production volumes from aerial refuelling during the year. Non-U.S. defence/security organic revenue was 6 per cent. lower in the year ended 31 December 2014, due, in part, to lower aerial refuelling aftermarket revenue, partially offset by higher engineering and development revenue from the Airbus A400M and Embraer KC-390 tanker programmes. There was also a reduction in volumes from short cycle land-related revenue, in particular counter-improvised explosive device and surveillance products.

Cost of sales

Cost of sales increased by 6 per cent. to £1,290 million in the year ended 31 December 2014, from £1,221 million in the year ended 31 December 2013, driven primarily by the impact of the inclusion of Aeroflex cost of sales following the Aeroflex acquisition and the one-off provision recognised against development programmes in the Mission Systems Sector.

Selling and distribution costs

Selling and distribution costs increased by 18 per cent. to £100 million in the year ended 31 December 2014, from £85 million in the year ended 31 December 2013, driven primarily by the inclusion of costs from the Aeroflex transaction post-acquisition and the full year impact of acquisitions made in 2013 (Axell Wireless and FBH).

Administrative expenses

Administrative expenses increased by 23 per cent. to £404 million in the year ended 31 December 2014, from £328 million in the year ended 31 December 2013, driven primarily by the non-recurrence of the goodwill impairment in the Surveillance business and the revaluation gain associated with the FBH acquisition, (both in 2013), higher mark-to-market costs on derivative financial instruments, costs associated with the Aeroflex acquisition and the inclusion of costs from the Aeroflex transaction post-acquisition and the full year impact of acquisitions made in 2013 (Axell Wireless and FBH).

Finance costs

Finance costs increased by 6 per cent. to £40 million in the year ended 31 December 2014, from £38 million in the year ended 31 December 2013, driven primarily by the part year effect of the additional borrowings associated with the Aeroflex acquisition.

Taxation

Taxation decreased by £17 million to a credit of £5 million in the year ended 31 December 2014, from an expense of £12 million in the year ended 31 December 2013, driven primarily by the tax impacts of acquisition costs in 2014, divestment activity in 2013, movements in derivative financial instruments and the tax jurisdiction in which profits arose.

Trading profit

Trading profit decreased by 10 per cent. to £287 million during the year ended 31 December 2014, as compared to £318 million in the year ended 31 December 2013. While trading profit included a contribution from acquisitions, the Group experienced an adverse impact of £13 million from foreign currency translation. In addition, a shift in the Group's business mix during the year ended 31 December 2014 adversely impacted trading profit. For example, lower short cycle volumes in defence/security, particularly relating to land markets, include businesses which typically provide the Group some of its highest margins. In the aerial refuelling business, the change in revenue resulted from lower production and aftermarket volume partially offset by lower margin engineering and development revenue. The aerial refuelling business also recognised a provision of £15 million during the year ended 31 December 2014 on its aerial refuelling development programmes. In the Advanced Electronic Solutions Sector there was lower revenue as production contracts matured.

Trading margin was 15.5 per cent. in the year ended 31 December 2014, as compared to 17.7 per cent. in the year ended 31 December 2013. Trading margin was adversely impacted by the change in revenue mix and a £15 million provision in respect of the Group's aerial refuelling development programmes. In addition, the trading margin was impacted by the Group's business mix as a result of certain of the Group's businesses which delivered good organic revenue growth in the year, including Aviation Services and SATCOM, having lower than average trading margins.

Segmental reporting

The Group operates in four reporting segments (which the Group refers to as "Sectors"): Communications and Connectivity, Missions Systems, Advanced Electronic Solutions and Aviation Services. As noted in "Results of operations" above, the Group's operating segments were revised during the year ended 31 December 2014 to better reflect the Group's composition. As a result of this realignment, revenue and trading profit for the year ended 31 December 2013 has been re-presented on a basis consistent with the Sectors as reported during 2014.

Communications and Connectivity

The Communications and Connectivity Sector provides aircraft and in-building communication equipment; satellite communication equipment for land, sea and air applications; and test and measurement instrumentation for radio frequency, cellular communications and wireless networking.

Mission Systems

The Mission Systems Sector 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.

Advanced Electronic Solutions

The Advanced Electronic Solutions Sector provides critical solutions for communication 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 Sector incorporates defence, wireless/mobile and fixed broadband, X-ray imaging, medical and industrial markets.

Aviation Services

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

Segmental results of operations

The table below sets out the Group's segmental revenue for the periods indicated:

	Three months to		For the year ended 31 December		
	1 April 2016	3 April 2015	2015	2014	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited) (restated)
	(£ in millions)				
Communications and Connectivity	142.2	188.1	771.8	697.1	678.1
Mission Systems	80.9	77.9	382.4	333.5	357.7
Advanced Electronic Solutions	98.3	128.9	538.0	410.1	371.9
Aviation Services	87.6	101.4	390.1	412.2	365.2
Head office, other activities and elimination of inter-segment items	(0.3)	(1.3)	(10.3)	(1.2)	16.8
Total Group	<u>408.7</u>	<u>495.0</u>	<u>2,072.0</u>	<u>1,851.7</u>	<u>1,789.7</u>

The table below sets out the Group's segmental trading profit for the periods indicated:

	Three months to		For the year ended 31 December		
	1 April 2016	3 April 2015	2015	2014	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited) (restated)
	(£ in millions)				
Communications and Connectivity	(9.1)	15.4	108.4	118.3	115.3
Mission Systems	6.0	5.9	68.0	35.9	73.9
Advanced Electronic Solutions	5.5	12.5	80.5	64.0	63.4
Aviation Services	9.3	12.6	57.3	54.5	48.0
Head office, other activities and elimination of inter-segment items	3.7	4.0	18.0	14.0	17.0
Total Group	<u>15.4</u>	<u>50.4</u>	<u>332.2</u>	<u>286.7</u>	<u>317.6</u>

Segmental results of operations for the three months to 1 April 2016 compared to the three months to 3 April 2015

Communications and Connectivity

Revenue decreased by 24 per cent. to £142 million in the three months to 1 April 2016, as compared to £188 million in the three months to 3 April 2015, primarily as a result of the impact of divestments made after 3 April 2015 and resolution of short-term operational issues in the Wireless business. The trading result was a loss of £9 million in the three months to 1 April 2016, as compared to a trading profit of £15 million in the three months to 3 April 2015, reflecting primarily reduced revenue in the segment and a one-off charge of £9 million in the Wireless business and the impact of short-term operational issues.

Mission Systems

Revenue was broadly in line with the prior year increasing by 4 per cent. to £81 million in the three months to 1 April 2016, as compared to £78 million in the three months to 3 April 2015.

Trading profit increased by 2 per cent. to £6 million in the three months to 1 April 2016, as compared to £5.9 million in the three months to 3 April 2015.

Advanced Electronic Solutions

Revenue decreased by 24 per cent. to £98 million in the three months to 1 April 2016, as compared to £129 million in the three months to 3 April 2015, primarily as a result of timing issues in respect of deliveries against programmes.

Trading profit decreased by 56 per cent. to £6 million in the three months to 1 April 2016, as compared to £13 million in the three months to 3 April 2015, reflecting a decrease in segment revenue and deferred revenue on a small number of development programmes.

Aviation Services

Revenue decreased by 14 per cent. to £88 million in the three months to 1 April 2016, as compared to £101 million in the three months to 3 April 2015, primarily as a result of increased headwinds in the commercial fly-in fly-out business in Australia.

Trading profit decreased by 26 per cent. to £9 million in the three months to 1 April 2016, as compared to £13 million in the three months to 3 April 2015, reflecting a decrease in segment revenue.

Segmental results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014

Communications and Connectivity

Revenue increased by 11 per cent. to £772 million in the year ended 31 December 2015, as compared to £697 million in the year ended 31 December 2014, primarily due to the contribution from the former Aeroflex wireless business, net of the composites divestment. Organic revenue declined by 4 per cent. in the year ended 31 December 2015.

Communications and Connectivity experienced organic revenue growth in its defence/security markets including higher retrofit and aftermarket revenue for avionics products. Within its commercial markets, there was also strong growth in aerospace revenue driven by higher volumes of SATCOM and avionics products. However, this was offset by significantly lower marine SATCOM revenue due to reduced demand in oil and gas, and in commercial shipping markets. There was also lower organic revenue in commercial land markets impacting in particular wireless products, as compared to a strong 2014.

Trading profit decreased by 8 per cent. to £108 million in the year ended 31 December 2015, as compared to £118 million in the year ended 31 December 2014, reflecting the impact of the reduced volumes in the short cycle commercial businesses, partially offset by the full year impact of the Aeroflex acquisition net of the composites divestment and a good contribution from efficiencies, including from integration.

Mission Systems

Revenue increased by 15 per cent. to £382 million in the year ended 31 December 2015, as compared to £334 million in the year ended 31 December 2014, primarily due to the commencement of a new multi-year C-130 production contract for the U.S. Air Force and Marine Corps and higher aerial refuelling engineering and development revenue on the U.S. KC-46 tanker programme. In addition, there was increased revenue from actuation control sub-systems for air-to-ground missiles and laser guided munitions. Organic revenue increased by 10 per cent.

Trading profit increased by 89 per cent. to £68.0 million in the year ended 31 December 2015, as compared to £36 million in the year ended 31 December 2014, benefitting from the impact of higher production volumes and the non-repeat of a £15 million aerial refuelling provision in 2014.

Advanced Electronic Solutions

Revenue increased by 31 per cent. to £538 million in the year ended 31 December 2015, as compared to £410 million in the year ended 31 December 2014, due to the contribution from the former Aeroflex

microelectronics business, net of divestments. Organic revenue growth declined by 7 per cent. This included the benefits of increased volumes of microelectronic components and sub-systems, with growth in missile, electronic warfare and radar programme revenue for U.S. and non-U.S. defence/security customers. However, this was more than offset by significantly lower U.S. defence/security volumes on some mature production programmes and reduced revenue from rotary joints, used on radar or microwave communication systems, and from wave guide products.

Trading profit increased by 26 per cent. to £81 million in the year ended 31 December 2015, as compared to £64 million in the year ended 31 December 2014, reflecting the full year impact of Aeroflex, net of divestments, and a contribution from efficiencies relating to the Aeroflex integration.

Aviation Services

Revenue decreased by 5 per cent. to £390 million in the year ended 31 December 2015, as compared to £412 million in the year ended 31 December 2014, primarily due to weakening of the Australian dollar. Organic revenue was 1 per cent. and included increased fixed wing revenue, partially offset by lower operational readiness training activity in the Middle East. Revenue from commercial markets overall remained flat, although the second half was impacted by a deepening of the Australian resource industry downturn. The Sector benefited from increased commercial airline services activity with Qantas, reflecting the additional aircraft brought into service in the first half of 2014, but this was balanced by changes in the scope of services provided under the contract.

Trading profit increased by 5 per cent. to £58 million in the year ended 31 December 2015, as compared to £55 million in the year ended 31 December 2014.

Segmental results of operations for the year ended 31 December 2014 compared to the year ended 31 December 2013

Communications and Connectivity

Total revenue increased by 3 per cent. to £697 million in the year ended 31 December 2014, as compared to £678 million in the year ended 31 December 2013, due to an initial part year contribution from the former Aeroflex test solutions business and the full year contribution from Axell Wireless. This increase was partially offset by a negative foreign currency translation of £26 million. Organic revenue declined by 6 per cent., driven by lower defence/security revenue.

The sector saw organic revenue growth from its commercial markets, with good performance from SATCOM in its marine and aerospace markets. In addition, there was revenue growth from increased volumes of radio management systems and antennas into the large transport and regional jet markets. Within defence/security markets there continued to be weakness in many of its short cycle land oriented businesses, particularly for counter-improvised explosive device and surveillance products.

Trading profit increased by 3 per cent. to £118 million in the year ended 31 December 2014, as compared to £115 million in the year ended 31 December 2013, due to the contribution from Aeroflex and the incremental contribution from Axell Wireless. Trading profit also benefited from increased volumes in commercial markets and from proactive implementation of rationalisation and other cost reduction activities. However, these positive factors were offset by lower volumes in defence/security markets and by the adverse impact from foreign currency translation.

Mission Systems

Revenue decreased by 7 per cent. to £334 million in the year ended 31 December 2014, as compared to £358 million in the year ended 31 December 2013. This decrease was due, in part to an adverse currency translation impact of £12 million, primarily as a result of the U.S. dollar. Organic revenue declined by 4 per cent., driven by a decrease in production of the C-130 tanker aircraft in the U.S. and lower production and aftermarket activity in support of the UK's future strategic tanker aircraft programme's Airbus A330 MRTT aircraft. This was partially offset by increasing customer funded engineering and development revenue on next generation aerial refuelling programmes, principally the Boeing KC-46 and the Airbus A400M.

Trading profit decreased by 51 per cent. to £36 million in the year ended 31 December 2014, as compared to £74 million in the year ended 31 December 2013, due in part to an unfavourable mix in the aerial refuelling

business driven by lower production and aftermarket revenue, which was partially offset by increased lower margin engineering and development revenue. In addition, there was an adverse impact from a provision of £15 million on aerial refuelling development programmes, which was made to address cost escalation and outstanding risks on a small number of design issues.

Advanced Electronic Solutions

Revenue increased by 10 per cent. to £410 million in the year ended 31 December 2014, as compared to £372 million in the year ended 31 December 2013, due to an initial part year contribution from the former Aeroflex microelectronics solutions business, which was partially offset by a significant adverse currency translation impact from the U.S. dollar of £19 million. Organic revenue was 1 per cent. lower in the year ended 31 December 2014 and was impacted by reduced revenue from a number of mature production programmes, including for legacy electronic warfare and space-related programmes, and lower revenue from non-U.S. defence/security sales. These were mostly offset by growing revenue from next generation electronic warfare and radar programmes such as the surface electronic warfare improvement programme and the joint strike fighter programme.

Trading profit increased by 1 per cent. from £64 million in the year ended 31 December 2014, as compared to £63 million in the year ended 31 December 2013, largely due to the contribution from Aeroflex, partially offset by an adverse impact from foreign currency translation. Trading profit was also impacted by the lower volumes from mature production programmes, which typically have higher margins.

Aviation Services

Revenue increased by 13 per cent. to £412 million in the year ended 31 December 2014, as compared to £365 million in the year ended 31 December 2013. This increase was due, in part, to strong organic growth of 8 per cent. and the full year impact of the FBH acquisition, partially offset by an adverse foreign currency translation impact of £27 million from the Australian dollar. The Sector experienced good organic growth in the commercial business, particularly driven by increased revenue from Qantas, as an expanded contract which commenced in the second half of 2013, became fully operational. In addition, there was increased flight frequency in the Australian natural resources market. This included a short term contract expansion with Chevron to operate a jet shuttle between Karratha and Barrow Island, and a new contract with Goldfields Australia to provide fly-in fly-out services using jet aircraft equipped with the Group's gravel kit capability for unsealed runways.

In defence/security markets, the Sector also experienced good organic revenue growth, including a new contract to provide maintenance support to the Qatar Emiri Air Force fleet of AW139 helicopters and an initial deployment undertaken relating to the new operational readiness and training contract with the Royal Saudi Air Force.

Trading profit increased by 14 per cent. from £55 million in the year ended 31 December 2014, as compared to £48 million in the year ended 31 December 2013, due to the incremental contribution from FBH and from organic growth. This was partially offset by an adverse impact from foreign currency translation.

Liquidity and capital resources

Working capital

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

Capitalisation and indebtedness

The following table shows the capitalisation and the indebtedness and cash of the Group as at 1 April 2016. The figures for the capitalisation and the indebtedness and cash of the Group have been extracted without material adjustment the financial information for the three months to 1 April 2016 set out in Part XV: “*Historical Financial Information Relating to the Cobham Group*”:

	As at 1 April 2016
	(unaudited) (£ in millions)
Equity	
Share capital	30.4
Share premium	301.9
Other reserves – share based payments	23.3
Total capitalisation	<u>355.6</u>
Total current indebtedness	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	(95.1)
Total current indebtedness	<u>(95.1)</u>
Total non-current indebtedness	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	(1,369.6)
Total non-current indebtedness	<u>(1,369.6)</u>
Total indebtedness	<u>(1,464.7)</u>

Other reserves exclude retained earnings, translation reserves and hedging reserves.

There has been no material change in the capitalisation of the Group, as set out in the above table, since 1 April 2016.

The following table sets out the unaudited net financial indebtedness of the group as at 1 April 2016:

	As at 1 April 2016
	(unaudited) (£ in millions)
Net financial indebtedness analysis	
Cash	150.3
Cash equivalents	—
Current debt	(95.1)
Non-current debt	(1,369.6)
Total	<u>(1,314.4)</u>

The Group has no indirect or contingent indebtedness as at 1 April 2016.

The information provided in the statement of net financial indebtedness has been extracted without material adjustment from the Group’s financial information for the three months to 1 April 2016 set out in Part XV: “*Historical Financial Information Relating to the Cobham Group*”.

Cash flows

The table below sets out the Group's cash flows for the periods indicated:

	Three months to		For the year ended 31 December		
	1 April 2016 (unaudited)	3 April 2015 (unaudited)	2015 (audited)	2014 (audited)	2013 (audited) (restated)
	(£ in millions)				
Operating(loss)/ profit	(35.4)	(27.4)	12.0	57.6	158.8
Net cash (used in)/from operating activities	(28.0)	9.1	189.1	167.9	210.6
Net cash (used in)/from investing activities	(17.3)	(82.3)	53.9	(950.8)	(208.3)
Net cash (used in)/from financing activities	(102.0)	40.2	(160.1)	839.4	(39.1)
Net increase in cash and cash equivalents	(147.3)	(33.0)	82.9	56.5	(36.8)
Exchange movements	3.5	(6.7)	(13.2)	(31.2)	(14.4)
Cash and cash equivalents at start of period	294.0	224.3	224.3	199.0	250.2
Cash and cash equivalents at end of period	150.2	184.6	294.0	224.3	199.0

Net cash from operating activities

The Group's net cash from operating activities comprises the impact of the operating profit for the year, adjusted for non-cash items such as depreciation, amortisation and impairment costs, derivative financial instruments, pension adjustments and share based payments, together with the net impact of changes in working capital, tax paid and net interest expense.

Net cash used in operating activities was £28 million in the three months to 1 April 2016, from cash from operating activities of £9 million in the three months to 3 April 2015. This decrease primarily reflected a larger decrease in trade receivables than in the prior year and a reduction in provisions.

Net cash from operating activities increased 13 per cent. to £189 million in the year ended 31 December 2015, from £168 million in the year ended 31 December 2014. This increase reflects the increased level of trading profit and a decrease in the investment in working capital, offset by higher interest payments.

Net cash from operating activities decreased 20 per cent. to £168 million in the year ended 31 December 2014, from £211 million in the year ended 31 December 2013. This decrease primarily reflected the lower level of trading profit in the year, and net changes in working capital.

Net cash from/(used in) investing activities

The Group's net cash from/(used in) investing activities comprises investments in tangible and intangible fixed assets net of disposal proceeds, the proceeds of business divestments and the cost of business acquisitions.

Net cash used in investing activities decreased 79 per cent. to £17 million in the three months to 1 April 2016, from £82 million in the three months to 3 April 2015. This decrease primarily reflected the payments to former shareholders of Aeroflex, made in the three months to 3 April 2015.

Net cash from investing activities was £54 million in the year ended 31 December 2015, consisting primarily of the net proceeds of business divestments (principally the composites business and certain non-core businesses from the previously acquired Aeroflex businesses), net of residual payments to former shareholders of the Aeroflex business and the investments in tangible and intangible fixed assets, net of disposal proceeds.

Net cash used in investing activities was £951 million in the year ended 31 December 2014, consisting primarily of the acquisition of Aeroflex.

Net cash used in investing activities was £208 million in the year ended 31 December 2013, consisting primarily of the investments to acquire the Axell Wireless group and the remaining 50 per cent. of the FBH group not already owned by the Group. In addition cash was used to purchase tangible and intangible fixed assets.

Net cash (used in)/from financing activities

The Group's net cash (used in)/from financing activities comprises primarily net movements on borrowing facilities, share capital issuance and dividend payments.

Net cash used in financing activities decreased to £102 million in the three months to 1 April 2016, from net cash from financing activities of £40 million in the three months to 3 April 2015. This decrease primarily reflected a higher net repayment of borrowings during the three months to 1 April 2016 as compared to the prior year.

Net cash used in financing activities was £160 million in the year ended 31 December 2015, consisting primarily of the payment of dividends to shareholders, the purchase of treasury shares and the net change in external borrowings.

Net cash from financing activities was £839 million in the year ended 31 December 2014, consisting primarily of a net increase in borrowings in connection with the acquisition of Aeroflex.

Net cash used in financing activities was £39 million in the year ended 31 December 2013, consisting primarily of the dividend paid to the shareholders and a net increase in external borrowings.

Debt and financing

As at 1 April 2016, the Group's net debt was £1,314 million. As at 31 December 2015, the Group's net debt had decreased to £1,207 million, as compared to £1,223 million as at 31 December 2014. This change in net debt included the net cash proceeds from divestments completed in the year, as well as adverse foreign currency translation movements of £80 million as at 31 December 2015, largely due to the U.S. dollar. It is the Group's policy to hold a significant proportion of its borrowings in foreign currencies, as a natural hedge against earnings denominated in such currencies.

The Group currently intends to redeem or repurchase U.S. Private Placement Notes and repay other borrowings totalling approximately £467 million, with the balance of the net proceeds to be used for make-whole premiums pursuant to the terms of the U.S. Private Placement Notes. See 3 ("Use of proceeds") under Part VII: "Letter from the Chairman of the Company" of this Prospectus. However, the Board will continue to evaluate whether there are more financially advantageous ways to pay down debt.

The table below shows the Group's net debt at the dates indicated:

	As at 1 April 2016	As at 31 December 2015	As at 31 December 2014	31 December 2013 (restated)
			(£ in millions)	
Trading profit	15	332	287	318
Share of post-tax results of joint ventures	—	—	—	(3)
Depreciation, amortisation and other items	14	68	83	61
Pension contributions in excess of service cost and administration cost	(4)	(18)	(17)	(14)
Increase in working capital	(29)	(49)	(71)	(32)
Net capital expenditure	(19)	(98)	(74)	(61)
Operating cash flow	(23)	235	208	269
Net interest paid	(9)	(49)	(25)	(29)
Taxation paid	(4)	(32)	(37)	(38)
Dividends received from joint ventures	—	—	—	4
Restructuring costs	(6)	(48)	(32)	(51)
Free cash flow	(44)	106	114	155
Dividends paid	—	(122)	(108)	(97)
Acquisition payments less divestment proceeds and other related costs	(1)	137	(897)	152
Net purchase of treasury shares and placing	2	(25)	180	(2)
Exchange movements	(64)	(80)	(59)	3
(Increase)/decrease in net debt	(107)	16	(770)	(93)
Net debt	(1,314)	(1,207)	(1,223)	(453)

Included within net debt are cash deposits, which are primarily denominated in UK pounds, U.S. dollars and euros, as well as borrowings. At 31 December 2015, the Group held total cash and short term bank deposits, net of offsettable overdrafts and all with an original maturity of three months or less, of £295 million, as compared to £226 million as at 31 December 2014.

Under the terms of its borrowing facilities, the Group is required to maintain its ratio of net debt/EBITDA at or below 3.5 times and its interest cover ratio at or above 3.0 times. For covenant purposes, net debt is expressed at average foreign currency translation rates. EBITA and EBITDA numbers include the operating profit from joint ventures and exclude items such as acquisitions and divestment related, restructuring and integration costs, adjustments for share based payments and unrealised gains and losses on derivative financial instruments. EBITDA is adjusted to annualise the results of any businesses acquired or disposed during the period. Net interest excludes any movements in derivative financial instruments and unwinding of discounting.

The following table shows the Group's debt covenants at the dates indicated:

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(audited)	(audited)	(audited) (restated)
Net debt (£ in million) – balance sheet	(1,207)	(1,223)	(453)
Net debt (£ in million) – average rate . .	(1,161)	(1,159)	(480)
EBITDA (£ in million)	396	440	395
Net debt to EBITDA (not to exceed 3.5 times)	2.9	2.6	1.2
EBITA (£ in million)	333	298	322
Net interest (£ in million)	49	28	27
Interest cover ⁽¹⁾ (not less than 3.0 times)	6.8	10.5	11.9

Notes:

(1) Interest cover is calculated as the ratio of net interest to EBITA.

By 30 June 2016, the Group's next lending covenant testing date, net debt to EBITDA could be around the covenant ratio of 3.5x due to an increase in net debt and the slow start in first quarter trading. The Rights Issue is therefore being undertaken in order to lower the Group's indebtedness and to reduce the ratio of net debt to EBITDA to allow management to focus on bringing the Group's development programmes to production, and insulate the Group against short-term market headwinds, while continuing its focus on operational efficiency and working capital improvement.

The Group tests compliance with these debt covenants semi-annually, at mid-year and at year end, on a 12 month rolling basis. Should a breach occur under either of the Group's debt covenants and thereafter constitute an event of default, there is a risk that the amounts outstanding under the Group's outstanding credit facilities would accelerate and become repayable immediately.

As at 31 December 2015, the Group's principal borrowings included the following:

- A US\$360 million multi-currency credit agreement, of which US\$90 million expires in October 2016 and US\$270 million expires in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. US\$293 million had been utilised at 31 December 2015;
- A €70 million multi-currency credit agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. €56 million had been utilised at 31 December 2015;
- A DKK525 million multi-currency credit agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. The facility was undrawn at 31 December 2015;
- An A\$90 million multi-currency credit agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. A\$59 million had been utilised at 31 December 2015;
- A US\$185 million facility expiring in October 2018. Interest is payable at the applicable benchmark rate plus margin. The facility was fully drawn at 31 December 2015;
- US\$1,213 million of senior notes maturing in tranches in 2016, 2017, 2019, 2020, 2021 and 2024, with an average coupon of 4.4 per cent;
- US\$155 million of senior notes maturing in 2017 and 2018, with an interest rate at the applicable LIBOR rate plus margin;
- €135 million and US\$40 million raised from banks and maturing in tranches in 2020 and 2022, with interest at the applicable floating rate benchmark plus margin; and

- A US\$75 million fixed rate agreement which expires in 2031 and under which the lender has a series of options exercisable every three years from December 2016.

For further details of the Group's credit agreements, see paragraph 14.4 of Part XVII: "Additional Information" of this Prospectus.

Capital expenditure

The Group's targeted capital expenditure for the year ended 31 December 2016, of which £29.3 million was committed as at 31 December 2015, is expected to be slightly less than capital expenditure for the year ended 31 December 2015. Capital expenditure is principally financed through cash flows from operations and bank borrowings.

The following table sets for the Company's capital expenditure for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
		(£ in millions)	(restated)
Land and buildings	4.2	3.0	4.8
Plant and machinery (including aircraft and vehicles)	77.2	37.1	33.4
Fixtures, fittings, tools and equipment	4.0	8.4	4.4
Payments on account and assets under construction	13.6	15.1	18.0
Software and other	<u>16.9</u>	<u>12.9</u>	<u>11.0</u>
Total	<u><u>115.9</u></u>	<u><u>76.5</u></u>	<u><u>71.6</u></u>

Contractual obligations and commitments

The table below sets out the contractual obligations and commitments of the Company as at 31 December 2015:

	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	After five years
	(£ in millions)					
Operating lease arrangements	27.7	24.9	23.0	20.9	14.8	61.1
Repayment of borrowings	<u>206.6</u>	<u>163.2</u>	<u>407.7</u>	<u>255.2</u>	<u>174.1</u>	<u>513.5</u>
Total	<u><u>234.3</u></u>	<u><u>188.1</u></u>	<u><u>430.7</u></u>	<u><u>276.1</u></u>	<u><u>188.9</u></u>	<u><u>574.6</u></u>

The funds required to satisfy these obligations are expected to be derived from operating cash flows and from committed facilities.

Contingent liabilities

At 31 December 2015, the Group had contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business totalling approximately £161.4 million.

Off balance sheet arrangements

As at 31 December 2015, the Group had no off balance sheet arrangements, other than the operating leases described above.

Quantitative and qualitative disclosure about market risk

The Group is exposed to a variety of market and financial risks, including risks relating to liquidity, foreign currency, changes in interest rates, commodity prices and credit.

Liquidity risk

Liquidity risk is the risk that the Group may be unable to pay obligations when due. The Group manages this by maintaining cash balances and committed funding of at least £200 million above forecast requirements in the next 12 months.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables.

Credit risk is the risk that a counterparty could default on its contractual obligations. In this regard, the Group's principal exposure is to cash and cash equivalents, derivative transactions and trade receivables.

The Group's trade receivables credit risk is relatively low given that a high proportion of the Group's customer base are government bodies with strong sovereign, or sovereign like, credit ratings. However, where the assessed credit worthiness of a customer, government or non-government falls below that which is considered acceptable, appropriate measures are taken to mitigate against the risk of contractual default using instruments such as credit guarantees.

Interest rate risk

The Group has various long and short term borrowings at both fixed and floating rates of interest. The Group monitors its exposure to movements in interest rates and, consequently, its borrowing costs, with the Group's policy being to assess the proportion of borrowings that are fixed and floating in the context of prevailing market conditions. Exposure to interest rate risk arises principally on changes to U.S. dollar and sterling interest rates.

Currency risk

The Group has operations in a number of countries globally. Accordingly, its net assets are subject to foreign exchange rate movements. The Group's aim is to reduce, or eliminate whenever practical, foreign exchange transaction risk, of which the U.S. dollar/pound sterling and the U.S. dollar/Danish krone exchange rates are the most significant. The Group has a number of other, smaller foreign exchange transaction exposures, including the euro/U.S. dollar. If the value of sterling strengthens then the value of non-sterling net assets will decline when translated into sterling and consolidated.

The Group incurs exposure to currency risk in two ways:

- operational currency risk – by incurring costs and generating revenue in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies); or
- structural currency risk – by investing in overseas subsidiaries and operations.

All foreign exchange hedging transactions are approved under delegated authority from the Board. A number of financial instruments are used to manage transactional foreign exchange exposure, such as forward rate contracts. The Group has a policy of hedging at least 80 per cent. of estimated transactional exposure for the next 12 months, a proportion of exposures between 12 and 36 months, and firm exposures on long term contracts. Details of the most significant of these instruments are described in notes 21 and 23 of the Group's consolidated audited financial statements included in the 2015 Annual Report and Accounts, which is incorporated by reference in this document as described in Part VI: "*Information Incorporated by Reference*" of this Prospectus.

Approximately 92 per cent. of the Group's anticipated transaction exposure to the U.S. dollar/pound sterling exchange rate is hedged for 2016 at an average rate of US\$1.53/£1, with additional hedging in place to partially cover anticipated exposure in subsequent years. Approximately 81 per cent. of the U.S. dollar/Danish krone (DKK) exposure is hedged for 2016 at an average rate of US\$1/DKK6.76, with additional hedging in place to partially cover anticipated exposure in subsequent years.

Critical accounting policies

Critical accounting policies are those policies that require the application of the Group's management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. A detailed description of certain of the main accounting policies used in preparing the Company's historical financial information is set forth in note 1 to the Group's consolidated audited financial statements included in the 2015 Annual Report and Accounts, which is incorporated by reference in this document as described in Part VI: "*Information Incorporated by Reference*" of this Prospectus.

PART XV

HISTORICAL FINANCIAL INFORMATION RELATING TO THE COBHAM GROUP

The Historical Financial Information Relating to the Cobham Group as at and for the years ended 31 December 2015, 2014 and 2013, together with the related auditor's report or accountant's report thereon, are incorporated by reference into this Prospectus. See Part VI: "Information Incorporated by Reference" of this Prospectus. The Historical Financial Information Relating to the Cobham Group as at and for the periods ended 1 April 2016 and 3 April 2015 are set out below. The information for the periods ended 1 April 2016 and 3 April 2015 is unaudited and has not been reviewed for the purposes of inclusion in this Prospectus.

The Historical Financial Information Relating to the Cobham Group as at and for the years ended 31 December 2015, 2014 and 2013, is available for inspection in accordance with paragraph 27 of Part XVII: "Additional Information" of this Prospectus and contain information which is relevant to this Prospectus.

Cross-reference list

Investors are referred to Part VI: "Information Incorporated by Reference" of this Prospectus for specific items of information which have been incorporated by reference into this Prospectus.

Interim Financial Report for the three months to 1 April 2016

Consolidated Income Statement

	Note	Three months to		Year ended
		1 April 2016	3 April 2015	31 December 2015
		(unaudited)	(unaudited) (£ in millions)	(audited)
Revenue	3	408.7	495.0	2,072.0
Cost of sales		(304.5)	(351.4)	(1,408.2)
Gross profit		104.2	143.6	663.8
Selling and distribution costs		(34.5)	(36.6)	(130.1)
Administrative expenses		(105.1)	(134.4)	(521.7)
Operating (loss)/profit		(35.4)	(27.4)	12.0
Finance income	4	0.9	1.4	5.2
Finance costs	4	(14.7)	(16.3)	(57.0)
Loss before taxation		(49.2)	(42.3)	(39.8)
Taxation		3.4	3.0	2.1
Loss after taxation for the period		(45.8)	(39.3)	(37.7)
Attributable to:				
Owners of the parent		(45.9)	(39.3)	(37.8)
Non-controlling interests		0.1	—	0.1
		(45.8)	(39.3)	(37.7)
Earnings per ordinary share	6			
Basic		(4.08)p	(3.47)p	(3.35)p
Diluted		(4.08)p	(3.47)p	(3.35)p

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

Operating (loss)/profit	(35.4)	(27.4)	12.0
Adjusted to exclude:			
Business restructuring	0.3	13.4	67.5
Derivative financial instruments	5.3	14.8	18.8
Amortisation of intangible assets arising on business combinations	42.1	40.3	176.8
Impairment of goodwill	—	—	26.6
Other business acquisition and divestment related items	3.1	9.3	30.5
Trading profit	15.4	50.4	332.2
Underlying EPS	0.10p	2.46p	19.48p

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

Consolidated Statement of Comprehensive Income

	Note	Three months to		Year ended
		1 April 2016 (unaudited)	3 April 2015 (unaudited) (£ in millions)	31 December 2015 (audited)
Loss after taxation for the period		(45.8)	(39.3)	(37.7)
Items that will not be reclassified subsequently to profit or loss				
Re-measurements of defined benefit retirement benefit obligations	11	1.6	3.5	29.6
Tax effects		<u>(0.3)</u>	<u>(0.7)</u>	<u>(5.9)</u>
		1.3	2.8	23.7
Items that may subsequently be reclassified to profit or loss				
Net translation differences on investments in overseas subsidiaries		17.6	(21.7)	(38.2)
Reclassification of cash flow hedge fair values		—	0.3	1.1
Hedge accounted derivative financial instruments		(0.8)	(0.4)	—
Tax effects		<u>—</u>	<u>0.1</u>	<u>(0.2)</u>
		16.8	(21.7)	(37.3)
Other comprehensive income/(expense) for the period		18.1	(18.9)	(13.6)
Total comprehensive (expense) for the period		(27.7)	(58.2)	(51.3)
Attributable to:				
Owners of the parent		(27.8)	(58.2)	(51.4)
Non-controlling interests		<u>0.1</u>	<u>—</u>	<u>0.1</u>
		(27.7)	(58.2)	(51.3)

Consolidated Balance Sheet

£m	Note	As at		As at
		1 April 2016 (unaudited)	3 April 2015 (unaudited)	31 December 2015 (audited)
Assets				
Non-current assets				
Intangible assets	7	1,740.8	2,041.7	1,729.5
Property, plant and equipment	8	391.0	398.8	379.9
Investment properties		4.3	10.6	4.3
Investments in joint ventures and associates		3.3	3.0	3.0
Trade and other receivables		67.0	73.1	71.3
Other financial assets		6.1	6.1	6.1
Deferred tax		11.0	9.2	11.4
Derivative financial instruments		10.6	4.5	6.5
		2,234.1	2,547.0	2,212.0
Current assets				
Inventories		443.3	462.7	410.4
Trade and other receivables		339.4	393.2	366.0
Current tax receivables		6.2	0.6	8.6
Derivative financial instruments		2.8	2.5	9.1
Cash and cash equivalents	9	150.3	184.6	294.7
Assets classified as held for sale		—	2.2	16.8
		942.0	1,045.8	1,105.6
Liabilities				
Current liabilities				
Borrowings	9	(95.1)	(54.8)	(156.4)
Trade and other payables		(344.3)	(425.5)	(398.1)
Provisions	10	(92.3)	(72.1)	(74.3)
Current tax liabilities		(124.4)	(121.1)	(125.1)
Derivative financial instruments		(24.9)	(16.4)	(30.6)
Liabilities associated with assets classified as held for sale		—	—	(12.7)
		(681.0)	(689.9)	(797.2)
Non-current liabilities				
Borrowings	9	(1,369.6)	(1,492.4)	(1,345.1)
Trade and other payables		(37.0)	(42.7)	(24.8)
Provisions	10	(41.4)	(65.0)	(68.2)
Deferred tax		(93.2)	(127.3)	(102.0)
Derivative financial instruments		(19.9)	(25.3)	(13.9)
Retirement benefit obligations	11	(51.5)	(95.2)	(56.7)
		(1,612.6)	(1,847.9)	(1,610.7)
Net assets		882.5	1,055.0	909.7
Equity				
Share capital		30.4	30.4	30.4
Share premium		301.9	301.9	301.9
Other reserves		15.5	21.6	(0.3)
Retained earnings		533.7	700.2	576.8
Total equity attributable to the owners of the parent		881.5	1,054.1	908.8
Non-controlling interests in equity		1.0	0.9	0.9
Total equity		882.5	1,055.0	909.7

Consolidated Statement of Changes in Equity

<u>£m</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Total equity at 1 January 2016	30.4	301.9	(0.3)	576.8	908.8	0.9	909.7
Loss for the period	—	—	—	(45.9)	(45.9)	0.1	(45.8)
Items that will not be reclassified subsequently to profit or loss	—	—	—	1.3	1.3	—	1.3
Items that may subsequently be reclassified to profit or loss	—	—	16.8	—	16.8	—	16.8
Total comprehensive income/(expense) for the period (unaudited)	—	—	16.8	(44.6)	(27.8)	0.1	(27.7)
Net purchase of treasury shares	—	—	—	1.5	1.5	—	1.5
Share based payments	—	—	0.8	—	0.8	—	0.8
Tax effects	—	—	(1.8)	—	(1.8)	—	(1.8)
Total equity at 1 April 2016 (unaudited)	30.4	301.9	15.5	533.7	881.5	1.0	882.5
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	—	—	—	(39.3)	(39.3)	—	(39.3)
Items that will not be reclassified subsequently to profit or loss	—	—	—	2.8	2.8	—	2.8
Items that may subsequently be reclassified to profit or loss	—	—	(21.7)	—	(21.7)	—	(21.7)
Total comprehensive (expense)/income for the period (unaudited)	—	—	(21.7)	(36.5)	(58.2)	0.2	(58.2)
Net purchase of treasury shares	—	—	—	0.3	0.3	—	0.3
Share based payments	—	—	2.0	—	2.0	—	2.0
Tax effects	—	—	(1.4)	—	(1.4)	—	(1.4)
Total equity at 3 April 2015 (unaudited)	30.4	301.9	21.6	700.2	1,054.1	0.9	1,055.0
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)/income for the year (audited)	—	—	(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 (audited)	30.4	301.9	(0.3)	576.8	908.8	0.9	909.7

Consolidated Cash Flow Statement

	Note	Three months to		Year ended
		1 April 2016	3 April 2015	31 December
		(unaudited)	(unaudited) (£ in millions)	2015 (audited)
Operating (loss)/profit		(35.4)	(27.4)	12.0
Non-cash items:				
Share of post-tax profits of joint ventures and associates		—	—	(0.2)
Depreciation and amortisation		59.5	61.3	254.4
Impairment of goodwill		—	—	26.6
Loss/(profit) on sale of property, plant and equipment		3.8	—	(1.4)
Business acquisition and divestment related items		3.1	8.6	27.3
Derivative financial instruments		5.3	14.8	18.8
Pension contributions in excess of pension charges		(4.0)	(4.1)	(17.8)
Share based payments		0.8	2.0	(3.0)
Operating cash movements:				
Increase in inventories		(19.5)	(29.1)	(34.6)
Decrease in trade and other receivables		47.4	29.0	19.1
(Decrease)/increase in trade and other payables		(62.8)	(30.1)	(38.6)
(Decrease)/increase in provisions		(13.5)	3.6	7.4
Tax paid		(3.7)	(9.7)	(31.5)
Interest paid		(9.6)	(11.0)	(53.0)
Interest received		0.6	1.2	3.6
Net cash (used in)/from operating activities		(28.0)	9.1	189.1
Cash flows from investing activities				
Purchase of property, plant and equipment		(21.8)	(25.0)	(97.8)
Purchase of intangible assets		—	(5.8)	(18.6)
Proceeds on disposal of property, plant and equipment		2.7	0.1	17.7
Acquisition of subsidiaries net of cash or debt acquired		—	(52.5)	(52.6)
Proceeds of business divestments		1.8	0.9	205.2
Net cash from/(used in) investing activities		(17.3)	(82.3)	53.9
Cash flows from financing activities				
Dividends paid	5	—	—	(122.1)
Purchase of treasury shares		—	(3.3)	(29.3)
Proceeds on allocation of treasury shares		1.6	3.6	4.4
New borrowings		—	47.0	257.9
Repayment of borrowings		(103.6)	(7.1)	(271.0)
Net cash (used in)/from financing activities		(102.0)	40.2	(160.1)
Net (decrease)/increase in cash and cash equivalents		(147.3)	(33.0)	82.9
Exchange movements		3.5	(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		150.2	184.6	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 Report

For the three months to 1 April 2016

1. Basis of preparation

This unaudited condensed interim financial information for the three months to 1 April 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, and with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU). It comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes (the “interim financial report”). This information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the EU.

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

This interim financial report 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.

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 true 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. 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 and operating 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	Three months to 1 April 2016 <u>(unaudited)</u>	Three months to 3 April 2015 <u>(unaudited)</u>	Year to 31 December 2015 <u>(audited)</u>
Operating (loss)/profit	(35.4)	(27.4)	12.0
Business restructuring	0.3	13.4	67.5
Derivative financial instruments	5.3	14.8	18.8
Amortisation of intangible assets arising on business combinations	42.1	40.3	176.8
Impairment of goodwill	—	—	26.6
Other business acquisition and divestment related items			
Loss/(profit) on divestments	3.1	(0.8)	(53.8)
Amounts provided related to businesses held for sale	—	—	69.0
Pre-acquisition profit element of inventory written off	—	9.4	9.3
Other M&A related costs	—	0.7	6.0
Trading profit	15.4	50.4	332.2
Underlying net finance costs	(13.8)	(14.9)	(51.8)
Underlying profit before taxation	1.6	35.5	280.4
Taxation charge on underlying profit	(0.3)	(7.6)	(60.2)
Non-controlling interests	(0.1)	—	(0.1)
Underlying profit after taxation attributable to owners of the parent	1.2	27.9	220.1
Underlying basic EPS	0.10p	2.46p	19.48p
Underlying diluted EPS	0.10p	2.45p	19.40p

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

£m	Three months to 1 April 2016 <u>(unaudited)</u>	Three months to 3 April 2015 <u>(unaudited)</u>	Year to 31 December 2015 <u>(audited)</u>
Underlying administrative expenses	54.3	56.6	201.5
% of revenue	13.3%	11.4%	9.7%

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

£m	Three months to 1 April 2016 <u>(unaudited)</u>	Three months to 3 April 2015 <u>(unaudited)</u>	Year to 31 December 2015 <u>(audited)</u>
Net cash from operating activities per Cash Flow Statement	(28.0)	9.1	189.1
Purchase of property, plant and equipment	(21.8)	(25.0)	(97.8)
Purchase of intangible assets	—	(5.8)	(18.6)
Proceeds on disposal of property, plant and equipment	2.7	0.1	17.7
Business acquisition and divestments related costs paid	3.8	2.4	15.1
Free cash flow	(43.3)	(19.2)	105.5
Business restructuring	7.9	9.6	48.2
Tax paid	3.7	9.7	31.5
Underlying net finance costs paid	9.0	9.8	49.4
Operating cash flow	(22.7)	9.9	234.6

3. Segment information

£m	Three months to 1 April 2016 (unaudited)	Three months to 3 April 2015 (unaudited)	Year to 31 December 2015 (audited)
Revenue			
Communications and Connectivity	142.2	188.1	771.8
Mission Systems	80.9	77.9	382.4
Advanced Electronic Solutions	98.3	128.9	538.0
Aviation Services	87.6	101.4	390.1
Head office, other activities and elimination of inter-segment items	<u>(0.3)</u>	<u>(1.3)</u>	<u>(10.3)</u>
Total Group revenue	<u>408.7</u>	<u>495.0</u>	<u>2,072.0</u>
Trading profit			
Communications and Connectivity	(9.1)	15.4	108.4
Mission Systems	6.0	5.9	68.0
Advanced Electronic Solutions	5.5	12.5	80.5
Aviation Services	9.3	12.6	57.3
Head office, other activities and elimination of inter-segment items	<u>3.7</u>	<u>4.0</u>	<u>18.0</u>
Total Group trading profit	<u>15.4</u>	<u>50.4</u>	<u>332.2</u>
Business restructuring	(0.3)	(13.4)	(67.5)
Derivative financial instruments	(5.3)	(14.8)	(18.8)
Amortisation of intangible assets arising on business combinations	(42.1)	(40.3)	(176.8)
Impairment of goodwill	—	—	(26.6)
Other business acquisition and divestment related items	(3.1)	(9.3)	(30.5)
Net finance costs	<u>(13.8)</u>	<u>(14.9)</u>	<u>(51.8)</u>
Loss before taxation	<u>(49.2)</u>	<u>(42.3)</u>	<u>(39.8)</u>

4. Finance income and costs

£m	Three months to 1 April 2016 (unaudited)	Three months to 3 April 2015 (unaudited)	Year to 31 December 2015 (audited)
Bank interest	0.3	0.9	3.1
Other finance income	<u>0.6</u>	<u>0.5</u>	<u>2.1</u>
Total finance income	<u>0.9</u>	<u>1.4</u>	<u>5.2</u>
Interest on bank overdrafts and loans	(14.1)	(15.1)	(52.8)
Interest on net pension scheme liabilities	(0.4)	(0.8)	(3.1)
Other finance expense	<u>(0.2)</u>	<u>(0.4)</u>	<u>(1.1)</u>
Total finance costs	<u>(14.7)</u>	<u>(16.3)</u>	<u>(57.0)</u>
Net finance costs	<u>(13.8)</u>	<u>(14.9)</u>	<u>(51.8)</u>

5. Dividends

£m	Three months to 1 April 2016 (unaudited)	Three months to 3 April 2015 (unaudited)	Year to 31 December 2015 (audited)
Final dividend of 7.746p per share for 2014	—	—	87.7
Interim dividend of 3.05p per share for 2015	—	—	<u>34.4</u>
Total dividend authorised and paid during the period	—	—	<u>122.1</u>

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

6. Earnings per ordinary share

		Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
		(unaudited)	(unaudited)	(audited)
Basic EPS				
Earnings attributable to owners of the parent	£m	(45.9)	(39.3)	(37.8)
Weighted average number of shares	million	1,125.6	1,133.5	1,129.9
Basic EPS	pence	<u>(4.08)</u>	<u>(3.47)</u>	<u>(3.35)</u>
Diluted EPS	pence	<u>(4.08)</u>	<u>(3.47)</u>	<u>(3.35)</u>

At 1 April 2016, 88,349,488 (31 December 2015: 89,634,016) ordinary shares were held in Treasury, including 12,397,764 (31 December 2015: 13,682,292) shares held in the Cobham Employee Benefit Trust. Shares have been purchased by the Cobham Employee Benefit Trust during the period in connection with the Group's share incentive schemes and transferred from the Trust to employees upon exercise of vested awards.

7. Intangible assets

£m	Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
	(unaudited)	(unaudited)	(audited)
Carrying amount at start of period	1,729.5	2,040.8	2,040.8
Additions	1.7	5.5	16.9
Business divestments	—	—	(110.8)
Disposals	(0.1)	—	—
Amortisation and impairment	(43.8)	(41.7)	(254.6)
Reclassifications	0.1	0.3	0.4
Foreign exchange adjustments	53.4	36.8	36.8
Carrying amount at end of period	<u>1,740.8</u>	<u>2,041.7</u>	<u>1,729.5</u>

8. Property, plant and equipment

£m	Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
	(unaudited)	(unaudited)	(audited)
Carrying amount at start of period	379.9	390.0	390.0
Additions	18.3	25.5	99.0
Business divestments	—	—	(19.8)
Disposals	(6.4)	(0.1)	(10.3)
Depreciation	(15.7)	(19.5)	(73.0)
Reclassifications	(0.1)	(0.2)	(6.0)
Foreign exchange adjustments	15.0	3.1	—
Carrying amount at end of period	<u>391.0</u>	<u>398.8</u>	<u>379.9</u>

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

£m	As at 1 April 2016	As at 3 April 2015	As at 31 December 2015
	(unaudited)	(unaudited)	(audited)
Commitments at end of period	<u>17.4</u>	<u>41.5</u>	<u>29.3</u>

9. Cash and cash equivalents and net debt

Reconciliation of cash and cash equivalents and net debt

£m	As at 1 April 2016	As at 3 April 2015	As at 31 December 2015
	(unaudited)	(unaudited)	(audited)
Cash and cash equivalents per Cash Flow Statement	150.2	184.6	294.0
Bank overdrafts	0.1	—	0.7
Cash and cash equivalents per Balance Sheet	150.3	184.6	294.7
Borrowings – current liabilities	(95.1)	(54.8)	(156.4)
Borrowings – non-current liabilities	(1,369.6)	(1,492.4)	(1,345.1)
Net debt	(1,314.4)	(1,362.6)	(1,206.8)

Reconciliation of movements in net debt

£m	Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
	(unaudited)	(unaudited)	(audited)
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	(147.3)	(33.0)	82.9
New borrowings	—	(47.0)	(257.9)
Repayment of borrowings	103.6	7.1	271.0
Exchange movements	(63.9)	(67.0)	(80.1)
Net debt at end of period	(1,314.4)	(1,362.6)	(1,206.8)

10. Provisions

£m	Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
	(unaudited)	(unaudited)	(audited)
At start of period	142.5	127.0	127.0
Additional provisions in the period	3.1	10.5	49.7
Disposed with undertakings	—	—	(1.0)
Utilisation of provisions	(16.2)	(3.1)	(34.3)
Unused amounts reversed in the period	(0.3)	(0.4)	(3.6)
Reclassifications	(0.1)	2.1	0.8
Exchange differences	4.7	1.0	3.9
Net liability at end of period	133.7	137.1	142.5
Current liabilities	92.3	72.1	74.3
Non-current liabilities	41.4	65.0	68.2
	133.7	137.1	142.5

11. Retirement benefit obligations

£m	Three months to 1 April 2016	Three months to 3 April 2015	Year to 31 December 2015
	(unaudited)	(unaudited)	(audited)
Net liability at start of period	(56.7)	(102.0)	(102.0)
Amount recognised in Income Statement	(1.8)	(2.5)	(6.5)
Contributions paid by employer	5.4	5.8	22.7
Actuarial gains recognised in OCI	1.6	3.5	29.6
Exchange differences	—	—	(0.5)
Net liability at end of period	(51.5)	(95.2)	(56.7)

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 1 April 2016 <u>(unaudited)</u>	As at 3 April 2015 <u>(unaudited)</u>	As at 31 December 2015 <u>(audited)</u>
Financial assets			
Derivative contracts (designated as hedging instruments)	11.4	2.6	4.4
Derivative contracts (not hedge accounted)	2.0	4.4	11.2
Financial liabilities			
Derivative contracts (designated as hedging instruments)	(12.2)	(3.4)	(4.3)
Derivative contracts (not hedge accounted)	<u>(32.6)</u>	<u>(38.3)</u>	<u>(40.2)</u>
	<u>(31.4)</u>	<u>(34.7)</u>	<u>(28.9)</u>

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 1 April 2016 the fair value of fixed rate borrowings was £976.5m (3 April 2015: £993.5m, 31 December 2015: £976.1m) compared to a book value of £850.4m (3 April 2015: £868.2m, 31 December 2015: £873.5m).

13. Business combinations and divestments

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	7.0
Net assets at date of divestment	(4.1)
Expenses of sale	(2.5)
Foreign exchange adjustments	<u>(2.5)</u>
Net loss on divestment before tax	(2.1)
Tax charge on net loss on divestments	—
Net loss on divestment after tax	<u>(2.1)</u>

The net cash impact of the divestment is as follows:

£m	
Cash consideration	6.1
Expenses of sale	<u>(2.5)</u>
	<u>3.6</u>

The net assets divested were as follows:

£m	At date of divestment
Inventories	3.9
Trade and other receivables	12.9
Trade and other payables	(11.5)
Provisions	<u>(1.2)</u>
Net assets	<u>4.1</u>

These net assets were treated as held for sale at 31 December 2015.

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. 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 transactions with related parties which had a material effect on the financial position or performance of the Company during the periods covered by this Interim Financial Report.

PART XVI

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COBHAM GROUP

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Rights Issue on the net assets of the Group as if it had completed on 1 April 2016.

The following unaudited pro forma financial information is based on the consolidated financial information of the Cobham Group and compiled on the basis set out in the notes below. The unaudited pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Cobham Group for the year ended 31 December 2015.

The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma financial information of the Group in this Section A of this Part XVI has been prepared in accordance with Annex II to the PD. The unaudited pro forma financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act.

Investors should read the whole of this Prospectus and not rely solely on the unaudited financial information in this Part XVI. Deloitte LLP's report on the unaudited pro forma financial information is set out in Section B of this Part XVI.

Unaudited Pro Forma Statement of Net Assets as at 1 April 2016

	Adjustments			Total
	As at 1 April 2016 ⁽¹⁾	Rights Issue ⁽²⁾	Repayment of debt ⁽³⁾	
	£ Million			
Assets				
Non-current assets				
Intangible assets	1,740.8	—	—	1,740.8
Property, plant and equipment	391.0	—	—	391.0
Investment properties	4.3	—	—	4.3
Investments in joint ventures and associates	3.3	—	—	3.3
Trade and other receivables	67.0	—	—	67.0
Other financial assets	6.1	—	—	6.1
Deferred tax	11.0	—	—	11.0
Derivative financial instruments	10.6	—	—	10.6
	<u>2,234.1</u>	<u>—</u>	<u>—</u>	<u>2,234.1</u>
Current assets				
Inventories	443.3	—	—	443.3
Trade and other receivables	339.4	—	—	339.4
Current tax receivables	6.2	—	—	6.2
Derivative financial instruments	2.8	—	—	2.8
Cash and cash equivalents	150.3	486.7	(486.7)	150.3
Assets classified as held for sale	—	—	—	—
	<u>942.0</u>	<u>486.7</u>	<u>(486.7)</u>	<u>942.0</u>
Liabilities				
Current liabilities				
Borrowings	(95.1)	—	41.9	(53.2)
Trade and other payables	(344.3)	—	—	(344.3)
Provisions	(92.3)	—	—	(92.3)
Current tax liabilities	(124.4)	—	—	(124.4)
Derivative financial instruments	(24.9)	—	—	(24.9)
Liabilities associated with assets classified as held for sale	—	—	—	—
	<u>(681.0)</u>	<u>—</u>	<u>41.9</u>	<u>(639.1)</u>
Non-current liabilities				
Borrowings	(1,369.6)	—	424.8	(944.8)
Trade and other payables	(37.0)	—	—	(37.0)
Provisions	(41.4)	—	—	(41.4)
Deferred tax	(93.2)	—	—	(93.2)
Derivative financial instruments	(19.9)	—	—	(19.9)
Retirement benefit obligations	(51.5)	—	—	(51.5)
	<u>(1,612.6)</u>	<u>—</u>	<u>424.8</u>	<u>(1,187.8)</u>
Net Assets	<u>882.5</u>	<u>486.7</u>	<u>(20.0)</u>	<u>1,349.2</u>

Notes:

- The net assets of the Cobham plc Group as at 1 April 2016 have been extracted without adjustment from the unaudited consolidated accounts, as set out in Part XV: “*Historical Financial Information Relating to the Cobham Group*” of this document.
- Adjustment to reflect the estimated net proceeds of the Rights Issue receivable by the Company of approximately £486.7 million (being gross proceeds of £506.7 million less estimated fees relating to the Rights Issue of approximately £20 million, excluding VAT).
- Adjustments to reflect:
 - part utilisation of the net proceeds of the Rights Issue for the repayment of the elements of the indebtedness; and
 - approximately £20 million in connection with make-whole payments for the early repayment of debt.

SECTION B: ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION

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on behalf of Cobham plc
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Jefferies International Limited
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68 Upper Thames St
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EC4V 3BJ

1 June 2016

Dear Sirs,

Cobham plc (the “Company”)

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part XVI of the prospectus dated 1 June 2016 (the “Investment Circular”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the rights issue might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 1 April 2016. This report is required by the Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

PART XVII

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear in Part III: “*Directors, Secretary, Registered Office and Advisers*” of this Prospectus, and Cobham accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and Cobham (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Registered Office

- 2.1 Cobham was incorporated and registered in England and Wales on 20 December 1889 with registered number 30470 as a private company limited by shares with the name Manitoba and North West Land Corporation Limited. On 13 May 1955, the Company changed its name to Flight Refuelling (Holdings) Limited. On 1 March 1982, Cobham was re-registered as a public company limited by shares and its name was changed to Flight Refuelling (Holdings) Public Limited Company. On 7 November 1994 the company name was changed to Cobham plc.
- 2.2 The registered office of Cobham is at Brook Road, Wimborne, Dorset BH21 2BJ, United Kingdom (telephone number +44 (0)12 0288 2020).
- 2.3 The principal legislation under which Cobham operates and under which the Ordinary Shares were created, is the Companies Act.

3. Share Capital and Dividends

- 3.1 As at the Latest Practicable Date, the share capital of Cobham was £28,464,397.53, comprised of 1,138,575,901 Ordinary Shares, excluding the 75,951,724 shares held in treasury, and 19,700 Preference Shares, all of which were fully paid or credited as fully paid. The Ordinary Shares in the share capital of the Company have a nominal value of 2.5 pence each and are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange’s main market for listed securities. The Preference Shares have a nominal value of £1 and are listed on the standard listing segment of the Official List and admitted to trading on the London Stock Exchange’s main market for listed securities.
- 3.2 The following table shows the changes in the share capital of Cobham which occurred from 1 January 2013 to the Latest Practicable Date:

	<i>Number of Ordinary Shares⁽¹⁾</i>	<i>Number of Preference Shares</i>
At 1 January 2013	1,078,575,901	19,700
At 1 January 2014	1,078,575,901	19,700
At 20 May 2014	1,138,575,901	19,700
Issued pursuant to the Placing (as defined below)	60,000,000	—
At 1 January 2015	1,138,575,901	19,700
At 31 May 2016 (being the Latest Practicable Date)	1,138,575,901	19,700

Notes:

(1) Excluding the 75,951,724 shares held in treasury

- 3.3 On 20 May 2014, a total of 60 million Ordinary Shares were placed by Merrill Lynch International and UBS Limited (the **Placing Shares**) at a price of 300 pence per Placing Share, raising gross proceeds of approximately £180 million (the **Placing**). The Placing Shares being issued represented approximately 5.6 per cent. of the Company’s issued ordinary share capital prior to the Placing. The Placing Shares were credited as fully paid and ranked on issue *pari passu* with the Existing Ordinary Shares including the right to receive all future dividends and distributions declared, made or paid. The Placing Shares were listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange’s main market for listed securities on 23 May 2014.

3.4 As at the Latest Practicable Date, the issued and fully paid ordinary share capital of the Company, excluding the 75,951,724 shares held in treasury, was as follows:

	<i>Shares prior to the Rights Issue</i>	
	<i>Number of Ordinary Shares</i>	<i>Amount of share capital (£)</i>
Issued	1,138,575,901	28,464,397.53

The issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue, excluding the 75,951,724 shares held in treasury, is expected to be as follows:

	<i>Shares following the Rights Issue</i>	
	<i>Number of Ordinary Shares</i>	<i>Amount of share capital (£)</i>
Issued	1,707,863,851	42,696,596.28

3.5 Subject to Admission, pursuant to the Rights Issue, 569,287,950 New Ordinary Shares will be issued at a price of 89 pence per New Ordinary Share. This will result in the issued ordinary share capital of the Company increasing by approximately 50.0 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares will be diluted by 33.3 per cent. following the Rights Issue (assuming no options granted under the Share Schemes are exercised between the Latest Practicable Date and the date of completion of the Rights Issue).

3.6 At the Annual General Meeting of Cobham held on 28 April 2016, Cobham passed resolutions:

- (a) authorising the Directors, in accordance with Section 551 of the Companies Act, to exercise all powers of Cobham to allot Ordinary Shares or grant rights to subscribe for, or convert any security into, shares in Cobham:
 - (i) in accordance with Article 7 of the Articles, up to a maximum nominal amount of £9,487,184 (such amount to be reduced by the nominal amount of any equity securities (as defined in the Articles) allotted under paragraph (ii) below in excess of £9,487,184); and
 - (ii) comprising equity securities (as defined in Article 8 of the Articles), up to a maximum nominal amount of £18,977,214 (such amount to be reduced by any shares allotted or rights granted under this paragraph (a) above) in connection with an offer by way of a rights issue (as defined in Article 8 of the Articles); and
- (b) in accordance with Article 8 of the Articles, giving the Directors power to allot equity securities for cash, provided that this power (other than in connection with a rights issue (as defined in Article 8(b)(ii) of the Articles) is limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £3,036,319,

each such authority to expire at the conclusion of the next annual general meeting of Cobham after the passing of this resolution or, if earlier, at the close of business on 1 July 2017.

3.7 Section 561 of the Companies Act confers on shareholders certain rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in Section 1166 of the Companies Act. Cobham is subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the statutory rights of pre-emption in Section 561 of the Companies Act. The statutory rights of pre-emption apply to the issue of New Ordinary Shares which are not the subject of the disapplication referred to in paragraph 3.6(b) of this Part XVII or reserved for issue in connection with share options and schemes (and other arrangements) referred to in paragraph 9 of this Part XVII. The statutory rights of pre-emption have been disappplied as set out in paragraph 3.6(b) of this Part XVII to:

- (a) give the Directors flexibility in relation to rights issues; and
- (b) otherwise permit the Directors to allot Ordinary Shares for cash having a nominal value of up to 10 per cent. of the issued ordinary share capital.

3.8 Save as disclosed above and in paragraph 9 and paragraph 14.2 of this Part XVII:

- (a) no share or loan capital of Cobham or any of its subsidiaries has within the period covered by the historical financial information set out in this Prospectus (other than intra-group issues by wholly

owned subsidiaries or pursuant to the Rights Issue) been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;

- (b) no commissions, discounts, brokerages or other special terms have been granted by Cobham or any of its subsidiaries within the period covered by the historical financial information set out in this Prospectus in connection with the issue or sale of any share or loan capital of any such company; and
- (c) no share or loan capital of Cobham or any of its subsidiaries is under option or agreed, conditionally or unconditionally, to be put under option.

3.9 The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of shares in any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post.

3.10 The Ordinary Shares are registered with the ISIN number GB00B07KD360.

3.11 The total dividend in respect of the 2015 financial year was 11.18 pence. The total dividend for financial years 2014 and 2013 was 10.65 pence and 9.68 pence respectively.

4. Summary of the Articles

The following is a summary of the Articles, which were adopted pursuant to a special resolution passed on 6 May 2010 and which are available for inspection as set out in paragraph 27 of this Part XVII. The Articles include provisions, *inter alia*, to the following effect:

4.1 Objects

The objects of Cobham, in accordance with Section 31(1) of the Companies Act, are unrestricted.

4.2 Limited liability

The liability of the members is limited to the amount, if any, unpaid on the Ordinary Shares respectively held by them.

4.3 Rights attaching to Ordinary Shares

- (a) Voting rights of members – on a show of hands, every member or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every £1 in nominal value share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- (b) Dividends – subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.
- (c) Return of capital – if Cobham is in liquidation, the liquidator may, with the sanction of a special resolution of Cobham and any other authority required by any applicable statutory provision (A) divide among the members in specie the whole or any part of the assets of Cobham; or (B) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.
- (d) Capitalisation of reserves – the Board may, with the authority of an ordinary resolution of Cobham (A) resolve to capitalise any sum standing to the credit of any reserve account of Cobham (including the share premium account and capital redemption reserve) or any sum standing to the credit of the profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any shares or debentures of Cobham of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may

direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in Cobham held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account, the capital redemption reserve, any redenomination reserve and any sum not available for distribution in accordance with the applicable statutory provisions may only be applied in paying up shares to be allotted credited as fully paid up.

4.4 *Transfer of shares*

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is approved by the Board. Cobham shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any instrument of transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) or on which Cobham has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is left at the registered office, or such other place as the Board may decide, for registration, accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor and it is in respect of only one class of share. If the Board refuses to register a transfer of a certificated share it shall, as soon as practicable and in any event within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal together with its reasons for refusal. The Board must provide the transferee with such further information about the reasons for the refusal as the transferee may reasonably request. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

4.5 *Alteration of share capital*

Cobham may exercise the powers conferred by the applicable statutory provisions to:

- (a) increase its share capital by allotting new shares;
- (b) reduce its share capital;
- (c) sub-divide or consolidate and divide all or any of its share capital;
- (d) reconvert stock into shares; and
- (e) redenominate all or any of its shares and reduce its share capital in connection with such redenomination.

4.6 *Authority to allot shares and grant rights and disapplication of pre-emption rights*

Cobham may from time to time pass an ordinary resolution authorising, in accordance with Section 551 of the Companies Act, the Board to exercise all the powers of Cobham to allot shares or to grant rights to subscribe for or to convert any security into shares in Cobham up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in Cobham in accordance with Section 551 of the Companies Act, Cobham may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if Section 561(1) of the Act did not apply to the allotment but that power shall be limited to (A) the allotment of equity securities in connection with a rights issue; and (B) the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

4.7 *Variation of rights*

Whenever the share capital of Cobham is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may from time to time (whether or not Cobham is being wound-up) be varied in such manner as those rights may provide or (if no such provision is made) either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the quorum is two members present in person or proxy holding at

least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, the quorum is one member present in person or by proxy holding shares of the class).

4.8 *Disclosure of interests in shares*

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in Section 793 of the Companies Act (a **Section 793 notice**) and, in respect of that share (a **default share**), has been in default for a period of 14 days after the Section 793 notice has been given in supplying to Cobham the information required by the Section 793 notice, the following restrictions shall apply (A) if the default shares in which any one person is interested or appears to Cobham to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of Cobham; or (B) if the default shares in which any one person is interested or appears to Cobham to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

- (a) to attend or to vote, either personally or by proxy, at any general meeting of Cobham; or
- (b) to receive any dividend or other distribution; or
- (c) to transfer or agree to transfer any of those shares or any rights to them.

4.9 *Uncertificated shares – general powers*

The board may permit any class of shares to be held in uncertificated form and to be transferred by means of a relevant system and may revoke any such permission. In relation to any uncertificated share, Cobham may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the Articles or otherwise in effecting any action. Any provision in the Articles in relation to uncertificated shares which is inconsistent with: (a) any applicable statutory provision; or (b) the exercise of any powers or functions by Cobham or the effecting by Cobham of any actions by means of a relevant system, shall not apply. Cobham may, by notice to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by Cobham, the Board may determine that shares held by a person in uncertificated form and in certificated form shall be treated as separate holdings but they shall not be treated as separate classes of shares.

4.10 *Directors*

- (a) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of Cobham, be less than two nor more than 15 in number.
- (b) A director need not be a member of Cobham.
- (c) At each annual general meeting a director then in office shall if (a) he has been appointed by the board since the previous annual general meeting, or (b) it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected, or (c) being a non-executive director, he has held office for nine years or more since his first election by a general meeting. A retiring director shall be eligible for re-election.
- (d) The directors shall be paid such fees not exceeding in aggregate £2 million per annum (or such larger sum as Cobham may, by ordinary resolution, determine) as the Board may decide to be divided among them in such proportion and manner as they may agree, or failing agreement, equally.
- (e) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of Cobham. Such special remuneration may be paid by way of lump sum, salary, commission participation in profits or otherwise as the Board may decide in addition to his ordinary remuneration as a director.
- (f) The directors shall also be paid out of the funds of Cobham all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the Board meetings, committee meetings and general meetings.
- (g) The Board may exercise all the powers of Cobham to:
 - (i) pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time a director of Cobham or in the

employment or service of Cobham or of any body corporate which is or was associated with Cobham or of the predecessors in business of Cobham or any such associated body corporate or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement or the payment of any insurance premiums;

- (ii) establish, maintain, adopt and enable participation in any profit sharing or incentive scheme including shares, share options or cash or any similar schemes for the benefit of any director or employee of Cobham or of any associated body corporate, and to lend money to any such director or employee or to trustees on their behalf to enable any such schemes to be established, maintained or adopted; and
 - (iii) support and subscribe to any institution or association which may be for the benefit of Cobham or of any associated body corporate or any directors or employees of Cobham or associated body corporate or their relatives or dependants or connected with any town or place where Cobham or an associated body corporate carries on business, and to support and subscribe to any charitable or public object whatsoever.
- (h) If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of Cobham but which does not arise in relation to a transaction or arrangement with Cobham (a **Relevant Situation**), the director must declare the nature and extent of his interest to the other directors and the directors (other than the director, and any other director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may (a) if the Relevant Situation arises from the appointment or proposed appointment of a person as a director of Cobham, resolve to authorise the appointment of the director and the Relevant Situation on such terms as they may determine and (b) if the Relevant Situation arises in other circumstances, resolve to authorise the Relevant Situation and the continuing performance by the director of his or her duties on such terms as they may determine. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):
- (i) whether the interested directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
 - (ii) the exclusion of the interested directors from all information and discussion by the Company of the Relevant Situation; and
 - (iii) (without prejudice to the general obligations of confidentiality) the application to the interested directors of a strict duty of confidentiality to Cobham for any confidential information of Cobham in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested director obtains (other than through his position as a director of Cobham) information that is confidential to a third party, he will not be obliged to disclose it to Cobham or to use it in relation to Cobham's affairs in circumstances where to do so would amount to a breach of that confidence.

- (i) If a director is in any way, directly or indirectly, interested in a proposed or an existing transaction or arrangement with Cobham, he must declare the nature and extent of that interest to the other directors.
- (j) Subject to any applicable statutory provisions and to having declared his interest to the other directors, a director may:
 - (i) enter into or be interested in any transaction or arrangement with Cobham, either with regard to his tenure of any office or position in the management, administration or conduct of the business of Cobham, or as vendor, purchaser or otherwise;
 - (ii) hold and be remunerated in respect of any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director;
 - (iii) act by himself or his firm in a professional capacity for Cobham (except as auditor) and be entitled to remuneration for professional services as if he were not a director;
 - (iv) be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any holding company or subsidiary undertaking of that holding company or any other company in which Cobham may be interested; and

- (v) be or become a director of any other company in which Cobham does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as a director of that other company.
- (k) A director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with Cobham or any other company in which Cobham is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with Cobham or any company in which Cobham is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment or the termination of his own appointment.
- (l) A director shall not vote (or be counted in the quorum at a meeting) in respect of any transaction or arrangement with the Company in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest. Notwithstanding the above, a director may vote (and be counted in the quorum) on: (A) any transaction or arrangement in which he is interested by virtue of an interest in shares, debentures or other securities of Cobham or otherwise in or through Cobham; (B) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, Cobham or any of its subsidiary undertakings; or a debt or obligation of Cobham or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security; (C) indemnification (including loans made in connection with it) by Cobham in relation to the performance of his duties on behalf of Cobham or of any of its subsidiary undertakings; (D) any issue or offer of shares, debentures or other securities of Cobham or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter; (E) any transaction or arrangement concerning any other company in which he does not hold, directly or indirectly as shareholder, or through his direct or indirect holdings of financial instruments (within the meaning of Chapter 5 of the Disclosure and Transparency Rules), voting rights representing one per cent. or more of any class of shares in the capital of such company; (F) any arrangement for the benefit of employees of Cobham or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and (G) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

4.11 *General meetings*

An annual general meeting shall be held in accordance with the applicable statutory provisions. Other general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Companies Act.

Subject to the applicable statutory provisions, an annual general meeting shall be called by at least 21 clear days' notice and all other general meetings shall be called by not less than 14 clear days' notice or by not less than such minimum notice period as is permitted by the applicable statutory provisions.

The requisite quorum for general meetings of Cobham shall be two qualifying persons. A qualifying person is an individual who is a member of Cobham; a corporate representative; or a proxy.

4.12 *Borrowing powers*

The Board may exercise all the powers of Cobham to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of Cobham or of any third party. The Board shall restrict the borrowings of Cobham and exercise all voting and other rights or powers of control exercisable by Cobham in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of Cobham in general meeting, exceed an amount equal to two and a half times the adjusted total capital and reserves (as defined in the Articles).

4.13 *Dividends*

- (a) Declaration of dividends – Cobham may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.
- (b) Fixed and interim dividends – the Board may pay such interim dividends as appear to the Board to be justified by the financial position of Cobham and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of Cobham, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.
- (c) Calculation and currency of dividends – except insofar as the rights attaching to, or the terms of issue of, any share otherwise provides: (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (B) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (C) dividends may be declared or paid in any currency and the Board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid, and for Cobham or any other person to bear any costs involved.
- (d) Dividends not to bear interest – no dividend or other monies payable by Cobham on or in respect of any share shall bear interest as against Cobham unless otherwise provided by the rights attached to the share.
- (e) Calls or debts may be deducted from dividends – the Board may deduct from any dividend or other monies payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to Cobham on account of calls or otherwise in relation to shares of Cobham.
- (f) Dividends in specie – with the authority of an ordinary resolution of Cobham and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.
- (g) Scrip dividends – the Board may, with the authority of an ordinary resolution of Cobham, offer any holders of ordinary shares the right to elect to receive further ordinary shares credited as fully paid instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.
- (h) Unclaimed dividends – any dividend unclaimed for a period of 12 years after having been declared payment shall be forfeited and cease to remain owing by Cobham.

4.14 *Forfeiture of shares*

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other monies payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of Cobham and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

4.15 *Communications by Cobham*

Subject to the applicable statutory provisions, a document or information may be sent or supplied by Cobham to any member in electronic form to such address as may from time to time be authorised by the member concerned or by making it available on a website and notifying the member concerned in accordance with the applicable statutory provisions (and any other rules applicable to Cobham) of the

presence of a document or information on the website. A member shall be deemed to have agreed that Cobham may send or supply a document or information by means of a website if the conditions set out in the applicable statutory provisions have been satisfied.

4.16 Directors' indemnity, insurance and defence

As far as the applicable statutory provisions allow, Cobham may:

- (a) indemnify any director of Cobham (or of an associated body corporate) against any liability;
- (b) indemnify a director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of Cobham (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;
- (c) purchase and maintain insurance against any liability for any director referred to in paragraphs (a) or (b) above; and
- (d) provide any director referred to in paragraphs (a) or (b) above with funds (whether by loan or otherwise) to meet expenditure incurred or to be incurred by him in defending any criminal, regulatory or civil proceedings or in connection with an application for relief (or to enable any such director to avoid incurring such expenditure).

5. Directors

5.1 The biographies of the Directors are set out in Part XII: "*Directors and Corporate Governance*" of this Prospectus.

5.2 The business address of each of the Directors is: Brook Road, Wimborne, Dorset BH21 2BJ.

5.3 In addition to their directorships of Cobham and other members of the Group, the Directors hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
John Devaney	Chairman of Edgeley Green Power Chairman of Medisafe	Non-executive Chairman of National Air Traffic Services Non-executive Chairman of National Express Group plc Chairman of BizzEnergy
Robert (Bob) Murphy	None	Executive Vice President for the global operations of the product sectors business for BAE Systems, Inc. Board of Trustees for the U.S. National Defense Industrial Association Board of Visitors for the Clark School of Engineering at the University of Maryland
Simon Nicholls	None	CFO of Senior plc Non-executive Director of Hamworthy plc
Mike Wareing	Senior Independent Non-executive Director, member of the Remuneration Committee and Chairman of the Audit Committee of Intertek Group plc	Non-executive Director and Chairman of the Audit Committee of Wolseley plc Chairman of the Iraq Advisory Board for G4S plc Economic Development Adviser to the Government of Afghanistan

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Alison Wood	Non-executive Director and Senior Independent Director of e2v technologies plc Non-executive Director and Chairman of the Remuneration Committee of Costain Group plc Non-executive Director and Chairman of the Remuneration Committee of British Standards Institution	Non-executive Director of GCHQ Chairman of Aerospace Aviation and Defence Knowledge Transfer Network
Alan Semple	Non-executive Director of Teekay Corporation	CFO of John Wood Group plc
Mike Hagee	President and CEO of the Admiral Nimitz Foundation Co-Chairman of the Commission on Energy and Geopolitics Non-executive Director of SGI Corp. Non-executive Director of DynCorp International Inc. Outside Manager on the Government Security Committee of the Special Security Agreement of TE SubCom	Non-executive Director of Remington Outdoor Company Inc. Non-executive Director of Kaseman LLC Non-executive Director of Freedom Group, Inc.
Jonathan Flint	Executive Director of Oxford Instruments plc	Non-executive Director of Andor Technology plc CEO of Oxford Instruments plc
Birgit Nørgaard	Non-executive Director and member of the Nomination, Remuneration and Audit Committees of IMI plc Non-executive Director and Chairman of the Governance, Ethics and Compensation Committee of WSP Global Inc Non-executive Director and member of the Nomination Committee of DSV A/S Non-executive Director of RGS 90 A/S Vice-chairman of NNE Pharmaplan A/S Non-executive Director of The Danish Growth Capital Fund	Non-executive Director of Kvaerner ASA Non-executive Director of Lindab International AB

5.4 At the date of this Prospectus, save as described below, none of the Directors has at any time within at least the past five years:

- (a) save as disclosed in this paragraph 5 of this Part XVII, been director or partner of any companies or partnerships; or
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
- (c) been adjudged bankrupt or entered into an individual voluntary arrangement; or
- (d) been a director of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (e) been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (f) had his assets form the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership; or
- (g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(h) ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.5 Birgit Nørgaard was the non-executive chairman of E. Pihl & Son A.S. when it entered into receivership in August 2013.

6. Directors' Interests in Cobham

6.1 As at the Latest Practicable Date, except as disclosed in paragraph 6.2 of this Part XVII, neither the Directors nor any of their respective immediate families, will have any interests in the share capital of Cobham which:

- (a) are required to be notified to Cobham pursuant to Chapter 3 of the Disclosure and Transparency Rules; or
- (b) are interests of a connected person (within the meaning of Schedule 11B of FSMA) which would be required to be disclosed under paragraph (a) above and the existence of which is known to or could with reasonable diligence be ascertained by that Director, as at the Latest Practicable Date.

6.2 The following table sets out the interests of the Directors as at the Latest Practicable Date and immediately following completion of the Rights Issue:

<u>Name</u>	<u>As at the Latest Practicable Date</u>		<u>Immediately following completion of the Rights Issue⁽¹⁾</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of Ordinary Shares</u>	<u>Number of Ordinary Shares⁽²⁾</u>	<u>Percentage of Ordinary Shares⁽²⁾</u>
John Devaney	30,000	0.00263	45,000	0.00263
Robert Murphy	152,713	0.01341	229,069	0.01341
Simon Nicholls	29,797	0.00262	44,695	0.00262
Mike Wareing	20,000	0.00176	30,000	0.00176
Alison Wood	5,000	0.00044	7,500	0.00044
Alan Semple	5,000	0.00044	7,500	0.00044
Mike Hagee	5,000	0.00044	7,500	0.00044
Jonathan Flint	5,000	0.00044	7,500	0.00044
Birgit Nørgaard	5,000	0.00044	7,500	0.00044

Notes:

- (1) Assuming full take up by such persons of their entitlements under the Rights Issue and that all of the New Ordinary Shares are issued.
- (2) Assuming that no further Ordinary Shares are issued as a result of any options or awards under the Share Schemes between the Latest Practicable Date and the date of completion of the Rights Issue.

6.3 The following tables set out details of the share options and awards expected to be held by the Directors as at close of business on the Latest Practicable Date under the Share Schemes (described in paragraph 9 of this Part XVII).

Cobham Performance Share Plan (PSP)

(i) Conditional share awards

<u>Name</u>	<u>Date of Grant</u>	<u>Number of Ordinary Shares subject to award</u>	<u>Value on award</u>
Bob Murphy	10 March 2016	559,192	£1,254,435
Bob Murphy	12 March 2015	365,775	£1,158,665
Bob Murphy	27 May 2014	319,912	£ 979,347
Bob Murphy	14 March 2013	453,924	£1,078,523

(ii) Nil-cost options

<u>Name</u>	<u>Date of grant</u>	<u>Number of Ordinary Shares subject to option</u>	<u>Exercise period</u>
Simon Nicholls	12 March 2015	208,353	12 March 2018 – 12 March 2025
Simon Nicholls	27 May 2014	201,875	13 March 2017 – 27 May 2024
Simon Nicholls	15 August 2013	204,151	15 August 2016 – 15 August 2023

- (iii) Matched award under the Cobham Bonus Co-Investment Plan (incorporated under the terms of the Cobham Performance Share Plan)

<u>Name</u>	<u>Date of Grant</u>	<u>Number of Ordinary Shares subject to award</u>	<u>Value on award</u>
Bob Murphy	27 May 2014	14,546	£44,530

The matched award shares are held in trust for the benefit of the participant and the award will vest after three years subject to economic profit targets.

- 6.4 As described in paragraph 9 of this Part XVII, awards granted under the PSP normally vest on the third anniversary of the date of grant in accordance with the rules of the plan, and any awards which have been granted as options cease to be exercisable on the tenth anniversary of the date of the grant. Vesting of awards and options may be subject to the satisfaction of performance conditions.
- 6.5 The interests of the Directors together represent approximately 0.02262 per cent. of the issued share capital of Cobham as at the Latest Practicable Date and are expected to represent 0.02262 per cent. of the issued share capital of Cobham on completion of the Rights Issue (assuming full take up by such persons of their entitlements under the Rights Issue and that no further Ordinary Shares are issued as a result of any options or awards under the Share Schemes between the Latest Practicable Date and the date of completion of the Rights Issue).
- 6.6 Save as set out in this Part XVII, no Director has any interest in the share or loan capital of Cobham and, save as provided under the Cobham Performance Share Plan, the Cobham Bonus Co-Investment Plan and the Share Options, there is no person to whom any capital of any member of the Group is under award or option or agreed unconditionally to be put under award or option.
- 6.7 Mike Hagee is an advisor to Cerberus, a Non-Executive Director of DynCorp International and a Non-Executive Director of Silicon Graphics International. Mike Hagee also sits on Robertson's Military Board of Advisors and is an outside Director on the Government Security Committee of the TE SubCom SSA (a TE Connectivity Limited Company) Alison Wood is a Non-Executive Director for e2v. None of the Directors has any potential conflicts of interest between their duties to Cobham and their private interests and/or their duties to third parties.

7. Significant Shareholders

- 7.1 The following table sets out the name of each person (other than a Director) who, directly or indirectly, is interested in voting rights representing three per cent. or more of the total voting rights in respect of Cobham's issued share capital, and the amount of such person's holding as at 31 May 2016, insofar as it is known to Cobham by virtue of the notifications made pursuant to the Companies Act and/or Chapter 5 of the Disclosure and Transparency Rules, and immediately following completion of the Rights Issue:

<u>Name</u>	<u>As at 31 May 2016</u>		<u>Immediately following completion of the Rights Issue⁽¹⁾</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of Ordinary Shares</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Ordinary Shares</u>
Blackrock, Inc.	58,105,999	5.10	87,158,998	5.10
Newton Investment Management Ltd	57,947,756	5.09	86,921,634	5.09
Artemis Investment Management LLP	57,876,282	5.08	86,814,423	5.08
Threadneedle Asset Management Limited	57,508,406	5.05	82,262,609	5.05
The Capital Group Companies, Inc	35,006,700	3.07	52,510,050	3.07
Royal London Asset Management Limited	34,308,326	3.01	51,462,489	3.01

Notes:

- (1) Assuming full take up by such persons of their entitlements under the Rights Issue.

- 7.2 Save as disclosed in paragraph 7.1 of this Part XVII, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) which will represent three per cent. or more of the total voting rights in respect of the issued share capital of Cobham as at 30 May 2016.
- 7.3 There are no differences between the voting rights enjoyed by the shareholder described in paragraph 7.1 of this Part XVII and those enjoyed by any other holder of Ordinary Shares in Cobham.
- 7.4 Cobham and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Cobham.

8. Remuneration and Benefits

8.1 *Executive Directors service contracts*

(a) General terms

The following Executive Directors have service agreements with Cobham as follows:

<u>Name</u>	<u>Position</u>	<u>Date of joining the Group</u>
Robert Murphy	Chief Executive Officer	25 June 2012
Simon Nicholls	Chief Financial Officer	1 May 2013

Robert Murphy and Simon Nicholls are paid annual base salaries of \$1,187,534 and £440,000, respectively. Robert Murphy's employment terms and conditions are based on U.S. law and his salary payments are made in U.S. dollars. They are eligible to participate, at the discretion of the Remuneration Committee, in Cobham's annual bonus plan and share incentive schemes.

Their benefit package includes payment of premiums for four times the annual base salary of each Executive Director and their respective families and life assurance. Robert Murphy and Simon Nicholls each receive a pension allowance of up to 20 per cent. of base salary. Robert Murphy is paid a combination of contributions to a 401k plan and an executive retirement scheme. Simon Nicholls is paid £40,000 into a defined contribution plan and £46,600 by way of a cash allowance in lieu of pension contributions.

Bonuses are paid as cash under the Annual Incentive Plan. The maximum bonus award which will be made by Cobham in respect of Robert Murphy and Simon Nicholls' respective bonuses is 150 and 120 per cent. of their respective basic salaries.

In addition to normal public holidays, the Executive Directors are entitled to 25 working days' paid holiday in each complete holiday year.

(b) Termination provisions

The Executive Directors' service contracts can be terminated immediately by the Company for cause, which is defined in the relevant contract. The Company may elect to terminate the Executive Directors' service contracts with immediate effect by making payments in lieu of notice which will not exceed 12 months' salary and benefits, which can also include, but are not limited to, pension, outplacement and legal fees.

Each Executive Director is required to retire and seek re-election by the shareholders at each annual general meeting as required by the Articles.

On 18 January 2016 it was announced that Simon Nicholls will be leaving the company. He will remain in his current role until his successor has been identified to ensure a smooth transition.

8.2 *Non-Executive Directors terms of appointment*

(a) General terms

The following Non-Executive Directors have agreed terms of appointment with Cobham as follows:

<u>Name</u>	<u>Position</u>	<u>Date of original appointment</u>	<u>Date of expiry of current appointment period</u>
John Devaney	Non-Executive Chairman	1 February 2010	Cobham AGM 2019
Mike Wareing	Senior Independent Non-Executive Director	1 December 2010	Cobham AGM 2020
Alison Wood	Independent Non-Executive Director	1 July 2011	1 July 2017
Alan Semple	Independent Non-Executive Director	25 February 2015	Cobham AGM 2018
Mike Hagee	Independent Non-Executive Director	3 December 2008	Cobham AGM 2018
Jonathan Flint	Independent Non-Executive Director	1 May 2013	Cobham AGM 2019
Birgit Nørgaard	Independent Non-Executive Director	24 April 2014	Cobham AGM 2017

John Devaney as Chairman of the Board is entitled to receive an annual fee of £280,000. Mike Wareing as Senior Independent Director is entitled to receive an additional annual fee of £10,000.

Each Non-Executive Director is entitled to receive an annual fee of £55,000. They will also be entitled to receive an additional fee if they are appointed to serve on the Audit Committee or the Remuneration Committee, at an annual rate of £2,500 per committee. An additional fee of £10,000 is payable to Alison Wood and Alan Semple for chairing the Remuneration Committee and Audit Committee, respectively.

In addition, the Chairman and the Independent Non-Executive Directors are entitled to be reimbursed for reasonable expenses properly incurred arising from the performance of their duties as a director of Cobham.

(b) Termination provisions

The appointment of each of the Non-Executive Directors and the Chairman is terminable by either the Non-Executive Director or Cobham on one months' notice. The appointment of any Non-Executive Director or the Chairman may also be terminated with immediate effect by Cobham for cause, which is defined in the relevant contract.

A Non-Executive Director's appointment shall also terminate if the Non-Executive Director is not re-elected at any annual general meeting.

8.3 Directors' remuneration

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Directors who served during 2015, in respect of the year ended 31 December 2015, were as follows:

<u>Name</u>	<u>Position</u>	<u>Basic salary or fees</u> (£)	<u>Discretionary bonus</u> (£)	<u>Benefits in kind</u> (£)	<u>Pension contribution</u> (£)	<u>Share payment</u> (£)	<u>2015 Total</u> (£)
John Devaney	Non-Executive Chairman	270,000	—	—	—	—	270,000
Robert Murphy	Chief Executive Officer	756,000	209,000	210,000	198,000	—	1,373,000
Simon Nicholls	Chief Financial Officer	435,000	58,000	21,000	87,000	73,000	674,000
Mike Wareing	Senior Independent Non-Executive Director	69,000	—	—	—	—	69,000
Alison Wood	Independent Non-Executive Director	65,000	—	—	—	—	65,000
Alan Semple	Independent Non-Executive Director	58,000	—	—	—	—	58,000
Mike Hagee	Independent Non-Executive Director	65,000	—	1,800	—	—	66,800
Jonathan Flint	Independent Non-Executive Director	58,000	—	—	—	—	58,000
Birgit Nørgaard	Independent Non-Executive Director	58,000	—	—	—	—	58,000
Mark Ronald	Independent Non-Executive Director	62,000	—	1,450	—	—	63,450

For the financial year ended 31 December 2015, the aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors by the Group was £2,752,000. It is estimated that for the financial year ended 31 December 2016, under arrangements in force at the date of this Prospectus, the remuneration of the Directors will be approximately £2,108,000.

The remuneration set out above is pursuant to the remuneration policy approved by Shareholders at the Annual General Meeting of the Company held on 24 April 2014.

9. Employee Share Plans

9.1 Share Schemes

Cobham plc operates the following equity-settled incentive arrangements (the **Plans**):

- (a) the Cobham plc Performance Share Plan 2007;
- (b) the Cobham plc Share Incentive Plan;
- (c) the Cobham plc Savings-Related Share Option Scheme;
- (d) the Cobham plc Executive Share Option Plan; and
- (e) the Cobham plc U.S. Conditional Share Plan.

A summary of the key provisions of each of the Plans is set out below.

9.2 Common terms of the Cobham plc Plans

Where not specified, or unless specified otherwise, the following terms are common to each of the Plans.

(a) General

The Plans are overseen by the Board or the Remuneration Committee.

Awards under the Plans are not pensionable benefits and may not be transferred, assigned, charged or otherwise encumbered except that, on the death of a participant, an award may be transmitted to the participant's personal representatives.

(b) Grant of awards

Awards are normally granted within 42 days commencing on the day after the announcement of the Company's results for any period. However, awards may also be granted at any other time if the Remuneration Committee determines that there are exceptional circumstances. Other than under the Sharesave or the SIP (as defined below), no award may be granted during a close period of the Company.

No awards can be granted under a Plan more than ten years after the Plan was adopted by the Company.

(c) Plan limits

The number of Ordinary Shares which may be newly issued or transferred from treasury on any day under the Plans must not, when added to the aggregate of the number of Ordinary Shares which have been so issued or transferred in the previous 10 years under the Plans and any other employee share plan operated by the Company, exceed 10 per cent. of the ordinary share capital of the Company in issue at that time. For the purposes of this limit, no account will be taken of any Ordinary Shares where the right to acquire them was released or lapsed without being exercised. Any Ordinary Shares acquired by market purchase by, or for the purpose of, an employee share scheme operated by the Company will not count for this purpose.

Within this 10 per cent. limit, not more than 5 per cent. of the issued share capital of the Company from time to time may be used under the Plans and any other employee share plan operated by the Company on a selective basis.

Ordinary Shares subject to options or awards which have lapsed are excluded when calculating the limits.

(d) Variation of share capital

If there is a variation of share capital including a capitalisation or rights issue, sub-division, consolidation or reduction, the number and/or type of Ordinary Shares over which an award is granted and, if relevant, the option price may be adjusted in the manner determined by the Board or the Remuneration Committee, as appropriate, so that the underlying economic value of the award remains unchanged.

(e) Rights attaching to Ordinary Shares

Shares issued to satisfy awards under the Plans will rank equally in all respects with the Ordinary Shares in issue on the date of allotment. They will not rank for any rights attaching to Ordinary Shares by reference to a record date preceding the date of allotment. Where Ordinary Shares are transferred on the vesting of awards or the exercise of an option under the Plans participants are entitled to all rights attaching to the Ordinary Shares by reference to a record date after the transfer date, but will not be entitled to rights before that date.

(f) Amendment

The Board may amend the rules of each of the Plans, provided that no amendment to the advantage of participants may be made to provisions relating to:

- (i) who is eligible to participate under the Plan;
- (ii) the limits on the number of Ordinary Shares which can be allocated under the Plans;
- (iii) the maximum entitlement for any one participant;
- (iv) rights attaching to awards and Ordinary Shares; and
- (v) rights of participants in the event of a variation of capital,

without the prior approval of Shareholders in general meeting, unless the amendment is minor and made to benefit the administration of the Plans, or is made to take account of a change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment.

(g) Termination

The Company may resolve to terminate any of the Plans at any time. Termination of any Plan will be without prejudice to any awards outstanding under the Plan at the date of its termination.

9.3 Cobham plc Performance Share Plan 2007 (PSP)

(a) General

The PSP permits the grant of conditional share awards or nil-cost options to employees as performance awards and matched awards (together referred to as **PSP Awards**).

The PSP allows the Company (a) to grant awards to acquire Ordinary Shares (**Performance Shares**) to eligible employees subject to the satisfaction of performance conditions; and (b) to invite eligible employees to invest a percentage of their annual bonus in Ordinary Shares in order to qualify for a matched award of Ordinary Shares (**Matching Shares**) under the bonus co-investment part of the PSP. The Remuneration Committee may determine that mandatory deferral of a participant's annual bonus must be made in to the bonus co-investment plan. Vesting of matched awards is subject to the satisfaction of a performance condition.

The Company determines where the Ordinary Shares required for the PSP are sourced. This may include by new issue and/or market purchase.

(b) Eligibility

All employees, including executive directors, of the Company and any Group company designated by the Board to be a participating company are eligible to participate in the PSP. The Remuneration Committee determines which employees are granted awards under the PSP.

(c) Grant of awards

PSP Performance Share awards may be granted at any time that the Remuneration Committee determines appropriate and are normally granted within 42 days of the announcement of the company's results for any period. The bonus co-investment part of the Plan to award Matching Shares is generally operated to coincide with the payment of annual bonuses. No payment is required for the grant of awards

(d) Nature of PSP awards

Conditional share awards are structured as contingent rights to receive Ordinary Shares. Options are granted as nil-cost options. A participant must pay an exercise price (equal to the market value of the Ordinary Shares at the date of grant) in order to exercise an award granted as a market value option. A nominal payment only is required to exercise an award granted as a nil-cost option.

Until a participant acquires any Ordinary Shares subject to a PSP Award, the participant has no rights to the Ordinary Shares subject to the award.

(e) Individual limits on the grant of PSP Awards

The maximum value of Ordinary Shares which may normally be put under a PSP Performance Share award to an individual in any year is 150 per cent. of the individual's salary. In respect of a Matching Shares award, the limit is 200 per cent. of the value of the Ordinary Shares that could have been acquired with the relevant percentage of the participant's gross annual bonus under the bonus co-investment arrangement. This value may be exceeded if the Remuneration Committee thinks that there are exceptional circumstances, such as the recruitment or retention of a key individual.

(f) Performance conditions

The vesting of PSP awards may be subject to the satisfaction of performance conditions which are determined by the Remuneration Committee and stated at the date of grant. The Remuneration Committee may amend a performance condition if any event occurs that would make an amended condition a fairer measure of performance, as long as the condition would be no more difficult to satisfy.

(g) Normal Vesting

PSP Awards normally vest, subject to the satisfaction of any relevant performance condition, on the third anniversary of the date of grant, and in the case of an option may be exercised up to the tenth anniversary of the date of grant, provided that the participant is still employed within the Group at that time.

(h) Malus and clawback

The Remuneration Committee may apply malus or clawback where there are circumstances which would justify such action. The relevant circumstances are:

- (i) if any act or omission by the participant contributes to a requirement that the Company or any member of the Group restate all or a portion of its financial statements;
- (ii) if any act or omission by the participant results in material losses or reputational damage for the Company or any member of the Group;
- (iii) if the participant has materially contravened internal ethics standards or controls; or
- (iv) in circumstances of gross misconduct by the participant.

(i) Payment on account of dividends

Following the vesting of awards under the PSP, the Remuneration Committee may determine that participants will receive further cash equal in value (so far as possible) to any dividends paid or payable in respect of the Ordinary Shares acquired between the date of grant of the award and its vesting date.

(j) Leavers

If a participant ceases to be employed due to death, ill-health, injury, disability or redundancy, the company by which the participant is employed ceasing to be a member of the Group or the transfer of the undertaking or part-undertaking in which the participant is employed outside the group, then the participant's awards will vest at the time and to the extent determined by the Remuneration Committee, taking into account the extent to which any performance conditions have been satisfied and the period elapsed since the date of grant. In the case of an option, the participant may exercise the option in the period of six months following vesting or, in the case of death, 12 months thereafter, or any other period the Remuneration Committee determines.

If a participant ceases to be employed for any other reason the participant's awards will lapse unless the Remuneration Committee determines to preserve all or part of a participant's awards on any terms it thinks fit. Any Ordinary Shares acquired by a participant on deferral of a portion of an annual bonus will be immediately released to the participant unless the continued holding of these Ordinary Shares is a condition of an award of Matching Shares.

(k) Corporate Events

If there is a change of control or winding up of the Company (other than in the case of an internal reorganisation), PSP Awards will vest taking into account the extent to which any performance

conditions have been satisfied and the period elapsed since the date of grant (unless the Remuneration Committee determines a different basis of vesting). Alternatively, in the event of a change of control, the Remuneration Committee may decide that PSP Awards will not vest but will continue unaffected (save that they may be exchanged for equivalent awards over shares in an acquiring company).

9.4 Cobham plc Share Incentive Plan (SIP)

(a) Eligibility

All employees of the Company and any participating company who are UK resident taxpayers are eligible and must be invited to participate in the SIP, provided they have been employed for a qualifying period determined by the Board which may not exceed 18 months. An employee is not eligible to participate if, in any tax year, the employee participates at the same time in another tax-advantaged Company or connected company share incentive plan.

(b) How the SIP may be operated

The Board can operate the SIP in a number of ways. It can:

- (i) make an award of free shares; and/or
- (ii) give participants the opportunity to acquire partnership shares; and
- (iii) make an award of matching shares to those participants who acquire partnership shares (free shares, partnership shares and matching shares – together, **Plan Shares**); and/or
- (iv) require or allow participants to re-invest any dividends paid on their Plan Shares in further shares (dividend shares).

The SIP operates through a trust, which will acquire Ordinary Shares by purchase or subscription (as determined by the Company) and will hold the Ordinary Shares on behalf of participants.

(c) Free Shares

The SIP provides that eligible employees may be awarded Ordinary Shares worth up to the statutory maximum (currently £3,600) each year. The allocation can be based on the achievement of individual, team, divisional or corporate performance targets which must be notified to all employees (**Free Shares**). Otherwise, Free Shares must be awarded to employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked. Free Shares must be held in trust for the period specified by the Board of between three and five years. If a participant ceases employment within three years from the award date, the Free Shares will cease to be subject to the SIP and may be forfeited, as determined by the Board.

(d) Partnership Shares

Eligible employees may be offered the opportunity to purchase Ordinary Shares out of pre-tax salary contributions up to the maximum set by the legislation (currently £1,800, or 10 per cent. of salary, if less) (**Partnership Shares**). The Company may set a minimum monthly deduction from a participant's salary which may not be greater than £10. The Partnership Shares may be acquired immediately or the salary contributions accumulated for any period of up to 12 months before they are used to buy Partnership Shares. The Board can scale down applications for Partnership Shares relative to any limit on the number which may be acquired and the contribution limits prescribed in any application.

Partnership Shares can be withdrawn from the SIP by the participant at any time and are not subject to forfeiture provisions.

(e) Matching Shares

Where participants acquire Partnership Shares, they may be awarded further Ordinary Shares by the Company on a matching basis, up to a current statutory maximum of two matching shares for each Partnership Share (**Matching Shares**). The award of Matching Shares cannot be subject to performance targets. Each award of Matching Shares will be subject to a holding period of not less than three years nor more than five years (or any other periods required by the relevant legislation from time to time), beginning with the award date and will be the same for all participants who receive an award at the same time. If a participant ceases employment or a participant withdraws their corresponding Partnership Shares within three years of purchase or any other forfeiture period determined by the Board, the Matching Shares will cease to be subject to the SIP and may be forfeited.

(f) Dividend Shares

The Board may determine that some or all of the cash dividends paid in respect of SIP shares will be re-invested in the purchase of additional shares (**Dividend Shares**). Dividend Shares are not subject to forfeiture. The Board may impose a limit on the amount of dividends which may be reinvested to be held on behalf of any participant, although there is no statutory maximum. To the extent that the cash dividends exceed any limit imposed, the trustee must pay over cash dividends to the relevant participant as soon as practicable.

(g) Corporate events

A SIP participant may direct the trustee on the appropriate action to take in relation to any right relating to the participant's Plan Shares to receive other Ordinary Shares, securities or rights of any description, or an offer of cash, or to agree to a transaction pursuant to a compromise, arrangement or scheme in relation to a reconstruction or takeover.

(h) Rights attaching to Plan Shares

If required to do so by the Company, the trustee will invite participants to direct it how to exercise the voting rights attributable to the Ordinary Shares held on their behalf, and will not exercise those rights other than on the participants' instructions.

(i) Leavers

In general, and subject to any applicable forfeiture provisions, if a participant ceases employment with the Company or any associated company, the participant's Plan Shares will cease to be subject to the SIP.

Participants resident for tax purposes in the UK will not be liable to income tax or National Insurance contributions on their Ordinary Shares ceasing to be subject to the SIP on leaving employment on account of injury or disability, redundancy, by reason of a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 applies, the company by which the participant is employed ceasing to be an associated company of the Company, retirement or the participant's death.

(j) Termination

On termination of the SIP, the trustee must remove each participant's Plan Shares from the SIP and transfer the Ordinary Shares or distribute the proceeds of their sale to the participants as soon as practicable.

9.5 Cobham plc Savings Related Share Option Scheme (the *Sharesave*)

(a) General

The Sharesave is an "all-employee" share option scheme administered by the Board under which eligible employees can acquire options over Ordinary Shares on a tax-favoured basis and at a discount of up to 20 per cent. of their market value at the date of grant. To exercise these options, participants must save out of contributions from their salary under a three or five-year HMRC-approved savings contract. Savings contributions are subject to a statutory limit, currently £500 per month. The Board has discretion to determine whether and if so when the Sharesave will operate.

The Company determines where the Ordinary Shares required for the Sharesave will be sourced. This will include by new issue and/or market purchase.

(b) Invitations

If the Board resolves to operate the Sharesave, invitations must be sent to all employees of a participating company and those participating company directors who are required to work a minimum of 25 hours per week. Employees are eligible provided they have been employed for any qualifying period not exceeding five years determined by the Board. The Board can include any other employee or executive director of a participating company.

Invitations will normally be made within 42 days of an announcement of results, but may also be made if there is a change to relevant scheme legislation or the announcement of a new savings contract prospectus.

(c) Option price

The option price is determined by the Board and must not be less than (A) 80 per cent. of the market value of an Ordinary Share on the invitation date or on the date specified in the invitation and derived from the middle-market quotation taken from the daily official list of the London Stock Exchange for the dealing day (or, if so determined by the Board, the average of such quotations for the three dealing days) immediately preceding the specified date as the Board determines; and (B) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

(d) The savings contract

To participate in the Sharesave, an eligible employee must enter into a savings contract of three or five years agreeing to make contributions of between £5 and £500 per month (or any other sum permitted by the relevant legislation from time to time).

(e) Grant of options

Employees who enter into savings contracts are granted options to acquire Ordinary Shares at the option price using the amount saved, including any bonus or interest. Options must be granted within 30 days (or 42 days if the applications are scaled down) of the first day by reference to which the option price was set.

A participant is not required to pay for the grant of an option. Options are not transferable (other than on the death of a participant) or assignable and will lapse immediately in the event of any breach of the transfer prohibition.

(f) Exercise of options

Options must normally be exercised in whole or in part within six months after the completion of the related savings contract, provided the participant remains a director or employee of a participating company, and may be exercised only once. Following the date of exercise, Ordinary Shares must be issued or transferred to the participant within 30 days.

Options may be exercised early in the event of a participant ceasing employment with the Company or a participating company because of death, retirement, injury, disability, redundancy, a relevant transfer under the Transfer of Undertaking (Protection of Employment) Regulations 2006 or the individual's employing company or employing part of a business being sold out of the Group. On cessation of employment for other reasons or if a participant ceases to pay contributions under the related savings contract, options will normally lapse. Options may also be exercised early in the event of a voluntary winding-up of the Company.

(g) Change of Control

Options may normally be exercised early if:

- (i) any person obtains control of the Company as a result of a general offer to acquire shares;
- (ii) a person (or a group of persons acting in concert) becomes bound or entitled to acquire shares by serving a notice under Sections 979-982 or 983-985 of the Companies Act 2006; or
- (iii) a scheme of arrangement in connection with the acquisition of Ordinary Shares is sanctioned.

Options may be exercised up to 20 days before the relevant event or within six months of the event, or in the case of a Section 979 notice, within six weeks, after which time the options will lapse, unless the Board determines otherwise. Alternatively, with the consent of the acquiring company, options may be exchanged for equivalent rights to acquire shares in the acquiring company.

In the event of a Company reorganisation or merger, where the shareholders of the acquiring company are substantially the same as the Company shareholders immediately before the change of control no options will be exercisable but will be exchanged for equivalent rights.

9.6 Cobham plc Executive Share Option Plan (CSOP)

(a) General

The CSOP is a share option scheme consisting of a tax-advantaged part and a non-tax-advantaged part under which eligible employees may be granted options over Ordinary Shares on a tax-favoured basis. The tax-advantaged part of the CSOP meets the requirements of Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003. The Board has discretion to determine whether, and if so when, the CSOP will operate.

CSOP options may be satisfied using new issue and/or existing Ordinary Shares.

(b) Eligibility

All employees of the Company and those executive directors who devote a minimum of 25 hours per week to their duties and who, in the case of an option granted under the tax-advantaged part of the CSOP are not precluded from participating in the CSOP due to the material interest exclusion, are eligible to participate in the CSOP.

(c) Grant of options

Options can normally only be granted within 42 days of the day after the announcement of the Company's results for any financial period. No award may be granted during a close period of the Company.

No consideration will be payable by participants on the grant of an option. Until a participant acquires any Ordinary Shares subject to an award, the participant has no rights to the Ordinary Shares.

(d) Option price

The option price will be determined by the Board, but will not be less than the higher of (A) the market value of an Ordinary Share on the dealing day immediately preceding the date of grant of the option or, if the Board decides, the average of the market values for dealings in Ordinary Shares for the three dealing days immediately preceding the date of grant, or the market value of an Ordinary Share at such other time agreed in advance with HMRC; and (B) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

The option price may be adjusted (in accordance with the applicable legislation) to take account of any variation in the Company's ordinary share capital.

(e) Individual limits

An individual's overall participation under the CSOP will be limited so that the aggregate market value (calculated at the date of grant of the option) of the Ordinary Shares comprised in subsisting options granted under the CSOP cannot exceed £30,000.

(f) Performance conditions

The exercise of an option may be subject to performance conditions or any other conditions determined by the Board. Any performance conditions must be objective and stated in writing at the date of grant of the option.

(g) Exercise of options

Options may be exercised on or after the third anniversary of the date of grant, or any later date determined by the Company at the date of grant, provided that the participant is still a director or employee of a participating company or associated company and provided that any conditions to which the options are subject are satisfied.

(h) Leavers

In the event of a participant ceasing employment with the Company or a participating company because of death, retirement, injury, disability, redundancy, a relevant transfer under the Transfer of Undertaking (Protection of Employment) Regulations 2006 or the individual's employing company or employing part of a business being sold out of the Group, options may be exercised, subject to the satisfaction of any conditions imposed, during the period of six months after the third anniversary of the date of grant, or from the date of cessation of employment if the Board permits. Options may also be exercised early in the event of a voluntary winding-up of the Company.

On cessation of employment for other reasons, the Board may, acting fairly and reasonably, permit the exercise of the participant's option within six months from either (a) the third anniversary of the date of grant of the option, or (b) if the Remuneration Committee permits, immediately on the participant ceasing to be an employee.

On the death of a participant, any option held can be exercised by the participant's personal representatives within 12 months of the date of death but in any event before the tenth anniversary of the date of grant.

(i) Corporate Events

The change of control provisions applicable to options granted under the CSOP are substantially the same as for options granted under the Sharesave. The right to exercise an option under the CSOP may be subject to discretion (applied on a fair and reasonable basis), and may be excluded if the bidder offers a rollover of options.

9.7 Cobham plc U.S. Conditional Share Plan

(a) General

The U.S. Conditional Share Plan is also known as the Restricted Share Plan (U.S.) (the **RSP**) and was approved by the Remuneration Committee in 2014 to grant eligible employees the contingent rights to acquire issued Ordinary Shares (**RSP Awards**). Only Ordinary Shares that are in issue can be allocated and no unissued Ordinary Shares or Ordinary Shares held in treasury may be allocated or issued in connection with awards granted under the RSP.

(b) Eligibility

All employees, excluding executive directors, of the Company or any participating company within the Group who are resident for tax purposes in the U.S. at the date of grant of an RSP Award are eligible to participate in the RSP.

(c) Grant of RSP Awards

The Remuneration Committee may grant an RSP Award at any time, subject to any restrictions imposed by the Company's share dealing code. No consideration is payable for the grant of an RSP Award.

(d) Individual limit

The maximum market value of Ordinary Shares subject to an RSP Award is 150 per cent. of the participant's base salary. This value may be exceeded if the Remuneration Committee determines there are exceptional circumstances, such as the recruitment or retention of a key individual.

(e) Normal vesting

An RSP Award will vest in respect of 25 per cent. of the Ordinary Shares subject to the RSP Award on each anniversary of its date of grant.

The Remuneration Committee may also accelerate the vesting of an RSP Award by up to 6 months and on such terms as it thinks fit in circumstances where the accelerated vesting is to take account of a change in legislation which would otherwise be detrimental to the participant or to obtain or maintain favourable tax, exchange control or regulatory treatment for the participant or a member of the Company's Group.

(f) Leavers

If a participant ceases to be in employment due to death, ill-health, injury, disability or redundancy, the company by which the participant is employed ceasing to be a member of the Group or the transfer of the undertaking or part-undertaking in which the participant is employed to a person or body corporate outside the Group, an RSP Award will vest at the time and to the extent determined by the Remuneration Committee, taking into account the period elapsed since the date of grant.

If a participant ceases to be in employment for any reason, an RSP Award will lapse unless the Remuneration Committee determines otherwise on any terms it thinks fit.

(g) Corporate Events

If there is a change of control or winding up of the Company, RSP Awards will vest to the extent specified by the Remuneration Committee, taking into account the period elapsed since the date of grant and any other factors the Remuneration Committee determines relevant. Alternatively, in the event of a change of control, the Remuneration Committee may decide that RSP Awards will not vest but will continue unaffected (save that they may be exchanged for equivalent awards over shares in an acquiring company).

(h) Withholding

The Company or any employing company member of the Group may withhold any amount and make any arrangements it considers necessary to meet any liability of the participant to taxation or social

security contributions in connection with the benefits delivered under the RSP. These arrangements may include the sale of any Ordinary Shares acquired under the RSP on behalf of the participant.

(i) Malus and clawback

The Remuneration Committee may operate malus and clawback over RSP Awards in the same circumstances described for the PSP.

(j) Dividend equivalents

Following the vesting of awards under the RSP, the Remuneration Committee may determine that participants will receive further cash equal in value (so far as possible) to any dividends paid or payable in respect of the Ordinary Shares acquired between the date of grant of the award and its vesting date.

(k) Amendment

The Remuneration Committee may amend the RSP at any time, save that no amendment may be made that would cause the RSP to cease to be an employees' share plan. Any amendment made to the RSP which would adversely and materially affect the existing rights of a participant may not be made unless it is made with the participant's written consent or by a resolution passed in relation to the class of share capital in accordance with the rules of the RSP.

9.8 *Deferred Share Awards*

The Company has also granted awards to individual participants under the terms of the PSP which are structured as deferred share awards. Participants have been granted a right to acquire shares and the terms of the PSP are varied such that only Ordinary Shares that are in issue can be allocated to satisfy the vesting of deferred share awards.

The deferred share awards are not subject to performance targets and vest in respect of 50 per cent, of the award on the second anniversary and 50 per cent. on the third anniversary of the date of grant. Following vesting, shares to the value of any deductions equal to any tax, National Insurance/social security contributions or other deductions due in respect of the vesting for which the relevant participant is liable, but which any member of the Group is required to withhold or account for to any tax authority, will be sold to cover any liability arising.

10. Pension Schemes

For the financial year ended 31 December 2015, Cobham contributed £285,000 to defined contribution money purchase pension schemes for the Directors.

11. Undertakings

Cobham is the principal operating and holding company of the Group. The subsidiary undertakings of Cobham are set out on pages 115 to 118 of the 2015 Annual Report and Accounts, as described in Part VI: "*Information Incorporated by Reference*" of this Prospectus. During the period from 31 December 2015 to the Latest Practicable Date, there were no new significant subsidiaries or subsidiary undertakings.

12. Properties, Plant and Equipment

No single tangible fixed asset (including property, plant and equipment) accounts for more than 10 per cent. of the Group's net turnover or production.

13. Underwriting Arrangements

13.1 *Underwriting Agreement*

On 1 June 2016, the Company and the Joint Underwriters entered into the Underwriting Agreement, pursuant to which the Company has appointed Jefferies as Sponsor and Jefferies and BofA Merrill Lynch as Joint Bookrunners and as Joint Underwriters in connection with the Rights Issue.

Subject to the terms and conditions of the Underwriting Agreement, the Joint Underwriters (as agents for and on behalf of the Company) have undertaken severally to use their reasonable endeavours to procure

subscribers for any New Ordinary Shares which have not been taken up under the Rights Issue as soon as reasonably practicable and in any event by not later than 4.30 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Rights Issue Price multiplied by the number of such New Ordinary Shares for which subscribers are so procured plus the expenses of procurement (including any applicable brokerage and commissions and amounts in respect of VAT). If and to the extent that the Joint Underwriters are unable to procure subscribers on the basis outlined above, the Joint Underwriters have agreed to subscribe for (or procure subscriber(s) for), on a several basis (in their due proportions), any remaining New Ordinary Shares.

In consideration of their services provided under the Underwriting Agreement, and provided that the Underwriting Agreement becomes wholly unconditional and is not terminated in accordance with its terms before Admission, the Company shall pay the Joint Underwriters a commission of 2.25 per cent. of the Rights Issue Price multiplied by the aggregate number of New Ordinary Shares (plus any applicable VAT). Out of such commission payable to the Joint Bookrunners, the Joint Underwriters may pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Joint Underwriters may procure to subscribe for New Ordinary Shares.

The obligations of the Joint Underwriters under the Underwriting Agreement are conditional on certain conditions customary in agreements of this type including, among others:

- (A) Admission occurring not later than 8.00 a.m. on 2 June 2016 or such later time and/or date as the Company and the Joint Underwriters may agree (being not later than 6 June 2016);
- (B) save to the extent that, in the sole opinion of the Joint Underwriters, would not be material in the context of the Group (taken as a whole), the Rights Issue, the underwriting of the New Ordinary Shares or Admission, Cobham having complied with its obligations under the Underwriting Agreement including the delivery of certain documents to the Sponsor and the Joint Underwriters, by the times and dates specified in the Underwriting Agreement (to the extent required to be satisfied on or before Admission);
- (C) the warranties on the part of Cobham under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement and immediately before Admission;
- (D) no event requiring a supplement to this Prospectus between the time of publication of this Prospectus arising and Admission and no such supplementary prospectus being published by or on behalf of the Company before Admission; and
- (E) in the opinion of the Joint Underwriters (acting in good faith), no material adverse change having occurred in respect of Cobham at any time prior to Admission.

Under the Underwriting Agreement, the Company has given certain customary (for a transaction of this nature) representations, warranties and undertakings to the Joint Underwriters concerning, among other things, the accuracy of the information in this Prospectus, and in relation to other matters relating to the Group and its business. The Company has also given a customary indemnity to the Joint Underwriters, liability in respect of which is unlimited as to time and amount.

The Company has undertaken that (subject to certain limited exceptions) it will not, for a period of 180 days following Admission without the prior written consent of the Joint Underwriters, directly or indirectly, offer, issue, lend, sell or contract to sell or issue options, in respect of or otherwise dispose of (or commence an offering or issue of) any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares; undertake any consolidation or subdivision of its share capital or any capitalisation issue; or enter into any swap or other agreement that transfers, in whole or in part, any economic consequences of ownership of any securities of the Company.

The Underwriting Agreement can be terminated at any time before Admission by either of the Joint Underwriters giving notice to the Company in certain circumstances, including, among other things, where (a) any of the conditions in the Underwriting Agreement are not satisfied at the required times, (b) where the Company fails to comply with any of its obligations under the Underwriting Agreement or under the terms of the Rights Issue, save to the extent that, in the sole opinion of the Joint Underwriters, such failure would not be material in the context of the Group (taken as a whole), the Rights Issue, the underwriting of the New Ordinary Shares or Admission, or (c) in the event of certain changes in financial, political or economic conditions.

13.2 Standby Underwriting Letter

On 26 April 2016, the Company entered into a standby underwriting letter (the **Standby Underwriting Letter**) with the Joint Underwriters pursuant to which the Joint Underwriters agreed to underwrite severally (in their respective proportions) the proposed rights issue by the Company to raise aggregate proceeds of up to £500 million, on the terms and subject to the conditions set out in the Standby Underwriting Letter. The Standby Underwriting Letter automatically terminated in accordance with its terms upon the execution of the Underwriting Agreement described in paragraph 13.1 of this Part XVII.

14. Material Contracts

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) to which Cobham or any other member of the Cobham Group is or has been a party:

- (a) within the two years immediately preceding the date of this document which is, or may be, material; or
- (b) at any time, which contains provisions under which any member of the Cobham Group has any obligation or entitlement which is material to the Cobham Group as at the date of this document.

14.1 Underwriting Agreement for the Rights Issue

For a description of the principal terms of the Underwriting Agreement, see paragraph 13.1 of this Part XVII.

14.2 Placing Agreement

On 20 May 2014 Cobham entered into a placing agreement (the **Placing Agreement**) with Merrill Lynch International and UBS Limited (together, the **Banks**), pursuant to which the Placing Shares, representing 5.6 per cent. of the existing issued ordinary share capital of Cobham before the placing, were placed by the Banks at a price of 300 pence per Placing Share. Closing of the placing and admission of the Placing Shares to the Official List and to trading on the London Stock Exchange's Main Market for listed securities took place on 23 May 2014. The purpose of the Placing was to part finance the acquisition of Aeroflex. In consideration for the services provided by the Banks in connection with the placing, Cobham paid the Banks a commission agreed between the Banks and Cobham, together with all properly incurred out-of-pocket expenses of the Banks in connection with the Placing. The Placing Agreement contains certain warranties, undertakings and indemnities by Cobham in favour of the Banks that are customary in such an agreement.

14.3 Note Purchase Agreement

On 28 October 2014, the Company issued four series of unsecured notes pursuant to a note purchase agreement (the **Note Purchase Agreement**), which included \$75,000,000 2.68% Series A Senior Notes due 28 October 2017, \$180,000,000 3.41% Series B Senior Notes due 28 October 2019, \$250,000,000 3.90% Senior Notes due 28 October 2021 and \$425,000,000 4.26% Senior due 28 October 2024 (collectively, the **U.S. Private Placement Notes**). The U.S. Private Placement Notes were issued to repay a bridge loan facility entered into in connection with the Aeroflex acquisition, as well as for other general corporate purposes.

The Note Purchase Agreement contains representations, covenants and events of default which are customary for this type of agreement and includes certain covenants (including financial covenants) and events of default that are consistent with its other existing corporate borrowings. In addition, the Company may voluntarily prepay the U.S. Private Placement Notes, plus a make-whole payment, at any time, in whole or in part. In the event of certain changes affecting taxation, the Company may elect to prepay the U.S. Private Placement Notes, plus a make-whole payment, subject to certain rights of the affected holders of the U.S. Private Placement Notes.

The Note Purchase Agreement is governed by New York law.

14.4 Term Facility Agreement

On 15 May 2015, the Company entered into a US\$185,000,000 term loan facility agreement with Bank of America Merrill Lynch International Limited as arranger and as facility agent (the **Term Facility**). The Term Facility may be used firstly towards repayment of the loans outstanding under the US\$1,300,000,000 facility agreement dated 20 May 2014 between, among others, the Company and Bank of America Merrill Lynch International Limited as agent and thereafter, towards general corporate purposes of the Group.

The Term Facility matures on 11 October 2018 and includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if a lender so requires). The Term Facility is unsecured. The Term Facility contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with its other existing corporate borrowings.

The Term Facility and any non-contractual obligations arising out of or in connection with it are governed by English law.

14.5 *Schuldschein Issue*

On 12 May 2015, the Company entered into three separate loan agreements relating to certificate of indebtedness (**Schuldschein**) with Commerzbank Aktiengesellschaft as arranger for EUR131,000,000 (the **Euro 5 year Schuldschein**), USD40,000,000 (the **USD 5 year Schuldschein**) and EUR4,000,000 (the **Euro 7 year Schuldschein** and, together with the Euro 5 year Schuldschein and USD 5 year Schuldschein, the **Schuldschein Facilities**). The Schuldschein Facilities may be applied towards the general corporate purposes of the Group.

The Euro 5 year Schuldschein and the USD 5 year Schuldschein matures on 19 May 2020, and the Euro 7 year Schuldschein matures on 19 May 2022. Each of the Schuldschein Facilities may be mandatorily prepaid upon a change of control of the Company (if the lender so requires). The Schuldschein Facilities are unsecured. Each of the Schuldschein Facilities contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with its other existing corporate borrowings.

Each of the Schuldschein Facilities and any non-contractual obligations arising out of or in connection with it are governed by German law.

15. **UK Taxation**

15.1 *General*

The following statements are intended to apply only as a general guide to certain UK tax considerations, and are based on current UK tax law and what is understood to be current practice of HM Revenue and Customs (**HMRC**) (which is not generally binding on HMRC), both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of Shareholders who are resident and, in the case of individuals, domiciled in (and only in) the UK for UK tax purposes (except to the extent that the position of non-UK resident or non-UK domiciled Shareholders is expressly referred to), who hold Ordinary Shares as investments (other than under an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners of both Ordinary Shares and any dividends paid on them. The statements may not apply to certain classes of Shareholders such as (but not limited to) persons acquiring their New Ordinary Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes.

Prospective subscribers for or purchasers of New Ordinary Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the New Ordinary Shares or who are subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own tax advisers.

15.2 *Dividends*

Cobham will not be required to deduct or withhold UK tax at source from dividend payments it makes, irrespective of the residence or particular circumstances of the Shareholder receiving such dividend payment.

A Shareholder's liability to taxation on dividends will depend upon the circumstances of the Shareholder and is outlined below:

(a) UK resident individual Shareholders

Subject to the enactment of the Finance Bill 2016 in its current form, from 6 April 2016 onwards the taxation of dividends for UK resident individual Shareholders has changed. The 'dividend tax credit' system that previously applied has been abolished and has been replaced by a new dividend tax-free allowance on the first £5,000 of dividend income per year instead. The new rates of tax on dividend income above the tax-free allowance are 7.5 per cent. on dividend income within the basic rate band, 32.5 per cent. on dividend income within the higher rate band and 38.1 per cent. on dividend income within the additional rate band. Dividend income that is within the dividend allowance counts towards an individual's basic or higher rate limits. Dividend income is treated as the top slice of a Shareholder's income.

(b) UK resident corporate Shareholders

A corporate Shareholder resident in the UK for tax purposes which is a “small company” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from Cobham provided certain conditions are met (including an anti-avoidance condition).

Other corporate Shareholders resident in the UK for tax purposes will not be subject to UK corporation tax on any dividend received from Cobham so long as the dividend falls within an exempt class and certain conditions are met. For example, (a) dividends paid on Shares that are not redeemable and do not carry any present or future preferential rights to dividends or to Cobham’s assets on its winding up, and (b) dividends paid to a person holding less than a 10 per cent. interest in Cobham, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a corporate Shareholder elects an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from Cobham, at the rate of corporation tax applicable to that corporate Shareholder (currently 20 per cent., and reducing to 19 per cent. from 1 April 2017).

(c) Non-UK resident Shareholders

Subject to the enactment of the Finance Bill 2016 in its current form, from 6 April 2016, non-UK resident Shareholders are treated as having paid tax on their dividend income at the dividend ordinary rate (7.5 per cent.) but this income tax will not be repayable.

A non-UK resident Shareholder may also be subject to taxation on dividend income under local law. A Shareholder who is not solely resident in the UK for tax purposes should consult their own tax advisers concerning their tax liabilities (in the UK and any other country) on dividends received from Cobham, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

An individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of five years or less and who receives or becomes entitled to dividends from Cobham during that period may, if Cobham is treated as a “close company” for UK tax purposes and certain other conditions are met, be liable for UK income tax on those dividends on their return to the UK. Special rules apply to Shareholders who are subject to tax on a “split-year” basis, who should seek specific professional advice if they are in any doubt about their position.

15.3 Capital Gains

(a) Chargeable Gains Taxation on Acquisition of New Ordinary Shares

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares to existing Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company.

A UK resident Shareholder that takes up their entitlement to New Ordinary Shares under the Rights Issue should not be treated as making a disposal of their Existing Ordinary Shares. The New Ordinary Shares issued to an existing Shareholder should be treated as the same asset, and having been acquired at the same time, as that Shareholder’s Existing Ordinary Shares and the amount paid for them should be added to the base cost of that Shareholder’s Existing Ordinary Shares.

If reorganisation treatment does not apply for UK chargeable gains purposes, when a UK resident Shareholder takes up their rights, they will be treated as acquiring new Shares in the Company. If the Shares under the rights issue are offered at a discount to their market value, such Shareholders might be regarded as having made a part-disposal of their existing shareholding in return for the amount of the discount when they take up shares under the Rights Issue.

(b) Disposal of rights to New Ordinary Shares

Shareholders who sell all or any of their rights to New Ordinary Shares, or allow their rights to lapse and receives a cash payment in respect of them, may, depending on their circumstances (including the availability of exemptions, reliefs and/or allowable losses), incur a liability to taxation on chargeable gains or realise an allowable loss.

However, save in relation to certain existing UK tax resident Shareholders with a low or nil base cost for their Existing Ordinary Shares (in relation to which see paragraph (c) below), if the proceeds resulting from a lapse or disposal of the rights are small as compared with the market value (on the date of lapse or disposal) of the Existing Ordinary Shares, a Shareholder can be treated as not having made a disposal for the purposes of tax on chargeable gains and instead the proceeds can be deducted from the acquisition cost of the Existing Ordinary Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. HMRC's current practice is to apply this treatment where either (i) the proceeds of the disposal or lapse of rights do not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the shares in respect of which the rights arose or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent. test is satisfied.

Existing Shareholders with a low base cost for their Existing Ordinary Shares (which is broadly where the base cost of the Existing Ordinary Shares for the purposes of tax on chargeable gains is less than the proceeds resulting from the lapse or disposal of the rights), or where the base cost of the Existing Ordinary Shares is nil, will not be able to benefit from the treatment set out in paragraph (a) above and will instead be treated as having made a disposal for the purposes of tax on chargeable gains. In that case however, an existing Shareholder in receipt of proceeds resulting from a lapse or disposal of the rights may elect for those proceeds to be reduced by the base cost (if any) of the Existing Ordinary Shares. The base cost in the Existing Ordinary Shares would, however, not then be allowable as a deduction in computing any gain accruing on any subsequent occasion. The advisability of making this election will depend upon an existing Shareholder's individual circumstances, in particular upon the availability to the existing Shareholder of any exemptions and reliefs from tax on chargeable gains or allowable losses in the tax year in which the cash sum is received.

(c) Chargeable Gains Taxation on Disposal of New Ordinary Shares

A disposal or deemed disposal of New Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may, depending on the Shareholder's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals and indexation allowance for corporate Shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to UK capital gains tax on the disposal or deemed disposal of New Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

Generally, an individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of five full tax years or less and who disposes of New Ordinary Shares during that period may be liable on returning to the UK to UK taxation on any chargeable gain realised (subject to any available exemption or relief). Special rules apply to Shareholders who are subject to tax on a "split-year" basis, who should seek specific professional advice if they are in any doubt about their position.

Subject to the enactment of the Finance Bill 2016 in its current form, the applicable rate for an individual Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate and becomes liable to UK capital gains tax on the disposal of New Ordinary Shares is 10 per cent. Where an individual Shareholder is subject to income tax at either the higher or the additional rate, or to the extent that any gain on the disposal takes the individual Shareholder's aggregate income and gains over the higher rate threshold, the applicable rate is 20 per cent.

15.4 Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax (**SDRT**) will be payable on the issue of Provisional Allotment Letters, split letters of allotment or definitive share certificates, on the registration of the original holders of Provisional Allotment Letters or their renounees, on the crediting of the Nil Paid Rights or Fully Paid Rights to stock accounts in CREST or on the issue in uncertificated form of the New Ordinary Shares, unless the holders concerned are persons to whom the depository receipt or clearance service charge may

apply (excluding clearance services where an election for a different basis of charge is in effect) as to which, see further below.

The purchase of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter or held in CREST on or before the latest time for registration or renunciation or transfer, will not be liable to stamp duty but will normally be liable to SDRT at the rate of 0.5 per cent. of the actual consideration paid. In the case of transfers within CREST, any SDRT due will be collected through CREST automatically in accordance with the CREST rules.

Subject to an exemption for certain low value transactions (which applies to transactions where the consideration is £1,000 or less, provided the transaction does not form part of a larger transaction or series of transactions where the aggregate consideration exceeds £1,000), any subsequent transfer on sale of New Ordinary Shares held outside CREST will generally be liable to stamp duty at the rate of 0.5 per cent. of the amount of the consideration paid (rounded up to the nearest £5.00). An unconditional agreement to transfer New Ordinary Shares will normally be subject to SDRT at the rate of 0.5 per cent. of the actual consideration paid. However, this SDRT liability will be cancelled, and any SDRT already paid will be refunded (generally but not necessarily with interest), if the agreement is completed by a duly stamped or exempt instrument of transfer within six years of the date on which the agreement is made or, in the case of conditional agreements, the date on which the agreement becomes unconditional.

Any subsequent transfer of New Ordinary Shares into CREST will not be subject to stamp duty or SDRT unless the transfer is for consideration in money or money's worth, in which case the transfer will be subject to SDRT at the rate of 0.5 per cent. on the actual consideration paid. Any subsequent transfer on sale within CREST of New Ordinary Shares held in CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the actual consideration paid. In the case of transfers within CREST, the tax will be collected through CREST automatically in accordance with the CREST rules.

Clearance Services and Depository Receipt Arrangements

Subject to the comments in the following paragraphs, where New Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the New Ordinary Shares (in the case of stamp duty, rounded up to the nearest multiple of £5).

Transfers of New Ordinary Shares within a clearance service or depository receipt system will generally be exempt from SDRT and, provided no instrument of transfer is entered into, will not be subject to stamp duty.

Clearance service providers may opt, in certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of New Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the New Ordinary Shares into the clearance system and the exemption for dealings in the New Ordinary Shares whilst in the system.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such service or system, which does arise, will generally be an obligation of the clearance service or depository receipt system operator or their nominee, as the case may be, but the cost will in practice be borne by the participants in the clearance service or depository receipt system.

Following litigation, HMRC has confirmed that it will no longer seek to impose the 1.5% SDRT charge on issues of UK shares to depository receipt issuers and clearance services anywhere in the world on the basis that the charge is not compatible with EU law. HMRC considers, though, that the 1.5% SDRT charge will still apply to transfers of shares to depository receipt issuers or clearance services that are not an integral part of an issue of share capital. Specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

The above statements are intended as a general guide. Transfers to certain categories of person are not subject to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it.

16. The proposed financial transaction tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Ordinary Shares (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Ordinary Shares where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Ordinary Shares are advised to seek their own professional advice in relation to the FTT.

17. U.S. federal income taxation

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) of the receipt, exercise and disposition of Nil Paid Rights, as well as the acquisition, ownership and disposition of Fully Paid Rights and New Ordinary Shares, pursuant to the Rights Issue. This summary is based on the U.S. Internal Revenue Code of 1986 (the **Code**), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and the United Kingdom as currently in force (the **Treaty**).

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Nil Paid Rights, Fully Paid Rights or New Ordinary Shares through pass-through entities; (viii) holders that are not U.S. Holders; (ix) holders that own (directly, indirectly or constructively) 10 per cent. or more of the voting stock of Cobham; (x) investors that hold Nil Paid Rights, Fully Paid Rights or New Ordinary Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (xi) investors that have a functional currency other than the U.S. dollar and (xii) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares, U.S. federal estate, gift or alternative minimum tax or net investment tax considerations, or non-U.S., state or local tax considerations. This summary only addresses U.S. Holder's that will receive Nil Paid Rights with respect to Existing Ordinary Shares in the Rights Issue, and it assumes that such U.S. Holders will hold their New Ordinary Shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment).

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of Ordinary Shares that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

Taxation of Nil Paid Rights

Distribution of Nil Paid Rights

The proper characterisation of the issuance of Nil Paid Rights, and any subsequent sale by the Joint Underwriters of such Nil Paid Rights and the remittance of the proceeds from that sale to certain U.S. Holders whose Nil Paid Rights were sold, is unclear. Under U.S. federal income tax principles, the issuance and sale of such Nil Paid Rights could be treated either as a distribution of property by Cobham or as a distribution of Nil Paid Rights by Cobham and a subsequent sale of those Nil Paid Rights by the relevant U.S. Holders.

If a distribution of property were considered to be made by Cobham, a U.S. Holder would generally be required to include in income as foreign source ordinary dividend income, as described below under “*Taxation of New Ordinary Shares*”, an amount equal to the fair market value of the Nil Paid Rights on the date of their distribution. In such a case, a U.S. Holder would have a tax basis in the Nil Paid Rights equal to the amount treated as a dividend, and a U.S. Holder’s holding period in the Nil Paid Rights would begin on the date the Nil Paid Rights were received.

Cobham believes that the issuance of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Joint Underwriters of such Nil Paid Rights should not be treated as a distribution of property by Cobham. Therefore, a U.S. Holder should not be required to include any amount in income for U.S. federal income tax purposes as a result of the issuance of Nil Paid Rights. It is possible that the Internal Revenue Service (the **IRS**) will take a contrary view. U.S. Holders are urged to consult their tax advisors as to the proper characterisation of the issuance of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Joint Underwriters of such Nil Paid Rights. The remainder of this discussion assumes that the issuance and sale of Nil Paid Rights and any subsequent remittance of proceeds from the sale by the Joint Underwriters of such Nil Paid Rights will not be a distribution of property for U.S. federal income tax purposes.

If, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights allocable to a U.S. Holder is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which such Nil Paid Rights are issued, the Nil Paid Rights will have a zero basis for U.S. federal income tax purposes unless such U.S. Holder affirmatively elects to allocate basis in proportion to the relative fair market value of such U.S. Holder’s Existing Ordinary Shares and the Nil Paid Rights, determined on the date of issuance. This election must be made in the tax return of the U.S. Holder for the taxable year in which the Nil Paid Rights are issued.

If, on the date Nil Paid Rights are issued, the fair market value of the Nil Paid Rights attributable to a U.S. Holder is 15 per cent. or greater than the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights are issued, then the basis in such U.S. Holder’s Existing Ordinary Shares must be allocated between such Existing Ordinary Shares and the Nil Paid Rights issued in proportion to their fair market values determined on the date the Nil Paid Rights are issued. This general rule will apply with respect to Nil Paid Rights only if the Nil Paid Rights are exercised or sold.

Sale or Other Disposition of Nil Paid Rights

Subject to the PFIC rules discussed below, a U.S. Holder will recognise capital gain or loss on the sale or other disposition of Nil Paid Rights (including a sale of Nil Paid Rights by the Joint Underwriters on its behalf) in an amount equal to the difference between such U.S. Holder’s tax basis in the Nil Paid Rights and the U.S. dollar value of the amount realised (as determined for U.S. federal income tax purposes) from the sale or other disposition. Any gain or loss generally will be treated as arising from U.S. sources. The holding period of such U.S. Holder in the Nil Paid Rights should include its holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed.

For the U.S. federal income taxation of an amount realised in non-U.S. currency from a sale or other disposition, refer to the discussion below under “*Taxation of New Ordinary Shares – Sale or Other Disposition*”.

Exercise of Nil Paid Rights and Receipt of Fully Paid Rights

A U.S. Holder who is permitted to receive Nil Paid Rights will not ordinarily recognise taxable income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights. Such a U.S. Holder will have a tax basis in the Fully Paid Rights equal to the sum of such U.S. Holder’s tax basis in the Nil Paid Rights exercised to obtain the Fully Paid Rights and the U.S. dollar value of the Rights Issue Price on the exercise date. Such a U.S. Holder’s holding period in the Fully Paid Rights received generally will begin on the date the Nil Paid Rights are exercised.

Expiration of Nil Paid Rights

If a U.S. Holder who is permitted to receive Nil Paid Rights allows Nil Paid Rights to expire without selling or exercising them, and such U.S. Holder does not receive any proceeds from the sale of Nil Paid Rights by the Joint Underwriters, such U.S. Holder should not recognise any loss upon the expiration of the Nil Paid Rights.

Taxation of Fully Paid Rights

Exercise of Fully Paid Rights

A U.S. Holder will not ordinarily recognise taxable income upon the receipt of New Ordinary Shares pursuant to the exercise of Fully Paid Rights. A U.S. Holder will have a tax basis in the New Ordinary Shares equal to such U.S. Holder's tax basis in the Fully Paid Rights and a holding period starting on the date the Nil Paid Rights were exercised.

Sale or Other Disposition of Fully Paid Rights

Subject to the PFIC rules discussed below, a U.S. Holder will recognise capital gain or loss on the sale, exchange or other disposition of Fully Paid Rights in an amount equal to the difference between such U.S. Holder's adjusted tax basis in the Fully Paid Rights and the U.S. dollar value of the amount realised (as determined for U.S. federal income tax purposes) from the sale, exchange or other disposition. Any gain or loss generally will be treated as arising from U.S. sources.

For the U.S. federal income taxation of an amount realised in non-U.S. currency from a sale, exchange or other disposition, refer to the discussion below under "Taxation of New Ordinary Shares – Sale or Other Disposition of New Ordinary Shares".

Taxation of New Ordinary Shares

17.1 Dividends

Subject to the PFIC rules discussed below, a distribution made by Cobham on the New Ordinary Shares (including amounts withheld in respect of non-U.S. income tax, if any) generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of Cobham's current and accumulated earnings and profits as determined for U.S. federal income tax purposes. Cobham does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be treated as a dividend. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

"Qualified dividend income" received by individual and certain other non-corporate U.S. Holders will be subject to preferential rates. Dividends will be treated as "qualified dividend income" if (i) Cobham is a "qualified foreign corporation" (as defined below) and (ii) such dividend is paid on New Ordinary Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. Cobham generally will be a "qualified foreign corporation" if (1) it is either (a) eligible for the benefits of the Treaty, or (b) if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States, and (2) it is not a PFIC in the taxable year of the distribution or the immediately preceding taxable year. Cobham expects to be eligible for the benefits of the Treaty and does not believe that it was a PFIC for the year ending 31 December 2015 or will be a PFIC for the current year. Accordingly, dividends on the New Ordinary Shares should be eligible for the preferential rates on "qualified dividend income" under U.S. federal income tax law.

Dividends on the New Ordinary Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

The U.S. dollar value of any distribution made by Cobham in currency other than U.S. dollars (a **foreign currency**) must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into U.S. dollars. If the foreign currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

17.2 Sale or other Disposition of New Ordinary Shares

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its New Ordinary Shares in an amount equal to the difference between the amount realised from such sale or disposition and the U.S. Holder's adjusted tax basis in such New Ordinary Shares, as determined in U.S. dollars. Such gain or loss generally will be

capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such New Ordinary Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations. Such gain or loss realised generally will be treated as derived from U.S. sources.

A U.S. Holder that receives foreign currency from a sale or disposition of New Ordinary Shares generally will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the New Ordinary Shares are treated as being traded on an “established securities market” for this purpose, the settlement date. If the New Ordinary Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances.

17.3 Passive Foreign Investment Company Rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is classified as “passive income” or (ii) at least 50 per cent. of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the Rights Issue, Cobham believes that it was not a PFIC for the year ending on 31 December 2015 and does not expect to be a PFIC for the current year. There can be no assurances that Cobham will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. If Cobham is classified as a PFIC in any year that a U.S. Holder is a shareholder, Cobham generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether Cobham continues to meet the income or asset test described above. If Cobham were a PFIC in any taxable year that a U.S. holder is a shareholder, materially adverse U.S. federal income tax consequences could result for the U.S. Holders.

17.4 Specified Foreign Financial Asset Reporting

Certain U.S. Holders that own certain foreign financial assets with an aggregate value in excess of \$50,000 at the end of the taxable year or \$75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The New Ordinary Shares are expected to constitute foreign financial assets subject to these requirements unless the New Ordinary Shares are held in an account at a financial institution (in which case the amount may be reportable if maintained by a non-U.S. financial institution). U.S. Holders should consult with tax advisers regarding the application of the rules relating to foreign financial asset reporting.

17.5 U.S. Information Reporting; Backup Withholding Tax

Payments to a U.S. Holder may be subject to information reporting unless it is established that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number or certification of exempt status and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder’s U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Under U.S. federal income tax law and regulations, certain categories of U.S. persons must file information returns with respect to their investment in the equity interests of a foreign corporation. A U.S. person that purchases for cash New Ordinary Shares will be required to file IRS Form 926 or similar form if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds US\$100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10 per cent. of the gross amount paid for such New Ordinary Shares up to a maximum penalty of US\$100,000.

U.S. Holders should note that the discussion above in paragraph 15 in this Part XVII is also relevant. See in particular paragraph 15.4 of this Part XVII relating to stamp duty and stamp duty reserve tax.

18. Litigation and Arbitration

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Cobham is aware) covering at least the 12 months preceding the date of this Prospectus which may have, or have had a significant effect on Cobham's and/or Group's financial position or profitability.

19. Related Party Transactions

There were no related party transactions entered into by Cobham or any member of the Group during the financial years ended 31 December 2013, 2014 and 2015, and during the period between 31 December 2015 and the Latest Practicable Date.

20. Working Capital

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

21. No Significant Change

There has been no significant change in the financial or trading position of the Group since 1 April 2016, being the date to which the latest unaudited consolidated financial statements of the Group in Part XV: "*Historical Financial Information Relating to the Cobham Group*" of this Prospectus were prepared.

22. Mandatory bids and compulsory acquisition

The City Code applies to Cobham. Under Sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares in Cobham (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to Cobham, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to Section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares in Cobham (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his/her shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his/her right to be bought out within one month of that right arising. These sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying him/her of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

23. Auditor

23.1 PricewaterhouseCoopers LLP (**PwC**) whose registered address is 1 Embankment Place, London WC2N 6RH, United Kingdom, has been the independent auditors of Cobham since 2006.

23.2 PwC is a member of the Institute of Chartered Accountants in England and Wales.

24. Consents

24.1 Jefferies has given and has not withdrawn its written consent to the inclusion in this Prospectus of its name and the references to it in the form and context in which they appear.

24.2 BofA Merrill Lynch has given and has not withdrawn its written consent to the inclusion in this Prospectus of its name and the references to it in the form and context in which they appear.

24.3 Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report set out in Part XVI: "*Unaudited Pro Forma Financial Information*" of this Prospectus, in the form and context in which it appears and has authorised the contents of those parts of this Prospectus which comprise its report for the purposes of PR 5.5.3R(2)(f) of the Prospectus Rules.

24.4 A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Ordinary Shares have not been and will not be registered under the Securities Act, Deloitte LLP has not filed and will not be required to file a consent under Section 7 of the Securities Act.

25. General

25.1 The total costs and expenses of, and incidental to, the Rights Issue (including the listing fees of the FCA, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £20 million and are payable by Cobham. Included within the total are commissions, in relation to the issuance of the Ordinary Shares only, which are expected to be approximately £11 million payable to the Joint Bookrunners. The total net proceeds accruing to Cobham from the Rights Issue after settling fees, expenses and commissions payable by Cobham, are expected to amount to approximately £487 million.

25.2 The financial information contained in this Prospectus which relates to the Company does not constitute full statutory accounts as referred to in Section 434 of the Companies Act.

25.3 Cobham has taken out “directors’ and officers’ insurance” in respect of the Directors on the terms which the Directors consider to be appropriate in the context of the business of the Group. Each of the Directors will have the benefit of a qualifying third party indemnity (the terms of which are in accordance with the Companies Act).

25.4 One or more of the Joint Bookrunners and their affiliates have engaged in transactions with the Company (including, in some cases, credit agreements and credit lines) in the ordinary course of its banking business and one or more of the Joint Bookrunners have performed various investment banking, financial advisory and other services for the Company, for which it received customer fees, and the Joint Bookrunners and their affiliates may provide such services in the future. Each of the Joint Bookrunners and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Company and the Group in the ordinary course of their respective businesses.

26. Employees

The table below sets out the average number of people (full time equivalents) employed by the Group in the previous three financial years:

Average number of persons employed by sector

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Communications and Connectivity	4,487	3,841	3,735
Mission Systems	1,556	1,465	1,424
Advanced Electronic Solutions	3,590	2,802	2,512
Head office and other activities	426	393	359
Aviation Services	2,468	2,405	1,931
Non-core businesses	—	35	129
Total	<u>12,527</u>	<u>10,941</u>	<u>10,090</u>

27. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of Admission at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD, United Kingdom and at Cobham’s office at Brook Road, Wimborne, Dorset BH21 2BJ, United Kingdom.

- (a) the existing Articles;
- (b) the consent letters referred to in paragraph 24 of this Part XVII;
- (c) the Historical Financial Information relating to the Cobham Group as at and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013 and the relevant auditor’s report thereon by PwC incorporated by reference in Part XV: “*Historical Financial Information Relating to the Cobham Group*” of this Prospectus;
- (d) the unaudited pro forma financial information and the report thereon by Deloitte LLP set out in Part XVI: “*Unaudited Pro Forma Financial Information of the Cobham Group*” of this Prospectus; and
- (e) this Prospectus.

Dated 1 June 2016

PART XVIII
DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

2013 Annual Report and Accounts	Cobham's annual report and accounts for the year ended 31 December 2013
2014 Annual Report and Accounts	Cobham's annual report and accounts for the year ended 31 December 2014
2015 Annual Report and Accounts	Cobham's annual report and accounts for the year ended 31 December 2015
Admission	admission of the New Ordinary Shares, nil paid, to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange
Aeroflex	Aeroflex Holding Corp.
Annual General Meeting	the annual general meeting of Cobham plc held on 28 April 2016
Annual Incentive Plan	Cobham's 2016 annual incentive plan for employee cash bonus awards
Articles	the articles of association of Cobham
Axell Wireless	Axell Wireless Limited
Audit Committee	the committee described in paragraph 3.1 of Part XII: " <i>Directors and Corporate Governance</i> " of this Prospectus
Australian dollars or A\$	the lawful currency of Australia
BBA	Bipartisan Budget Act of 2015
Board	the board of directors of Cobham from time to time
BofA Merrill Lynch	Merrill Lynch International
Bribery Act	UK Bribery Act 2010
Business Day	a day (other than Saturday, Sunday or a public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business
C-Band	the SATCOM frequency range from 3.7 to 6.2 GHz
certificated or certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
Chairman	John Devaney
Chief Executive Officer	Robert Murphy
City Code	the City Code on Takeovers and Mergers
Closing Price	The closing middle-market price of a relevant share as derived from the London Stock Exchange's Daily Official List on any particular day
Cobham Bonus Co-Investment Plan	the Bonus Co-Investment Plan described in paragraph 9 of Part XVII: " <i>Additional Information</i> " of this Prospectus

Cobham plc Executive Share Option Plan	the Executive Share Option Plan described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Cobham Performance Share Plan	the Performance Share Plan described in 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc Performance Share Plan 2007	the Performance Share Plan described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc Savings-Related Share Option Scheme	the Savings-Related Share Option Scheme described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc Share Incentive Plan	the Share Incentive Plan described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc U.S. Conditional Share Plan	the Conditional Share Plan described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Companies Act	the Companies Act 2006, as amended
Company or Cobham	Cobham plc
CSR	Corporate and social responsibility
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
CREST Deposit Form	the CREST deposit form set out on page 4 of the Provisional Allotment Letter
CREST Manual	the CREST manual consisting of: the CREST reference manual; CREST international manual; CREST central counterparty service manual; the CREST rules; CCSS operations manual and CREST glossary of terms, available at https://www.euroclear.com
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378)
CREST Sponsor	a CREST Participant admitted to CREST as a CREST sponsor
CREST Sponsored Member	a CREST Member admitted to CREST as a sponsored member
Directors	the Executive and Non-Executive Directors of Cobham
Disclosure and Transparency Rules	the disclosure rules and transparency rules made by the FCA under Part VI of the FSMA
Defence Helicopter Flying School Contract	the agreement between FBH and the UK Ministry of Defence in relation to the provision of helicopter pilot training and other services, together with associated helicopter maintenance and modification
DoD	the United States Department of Defense
EBITA	the Group’s earnings before interest, taxes and amortisation (for covenant purposes, net debt is expressed at average foreign currency translation rates and EBITA, EBITDA and net interest numbers include pro forma adjustments related to joint venture interests, acquisitions and divestments, and restructuring)
EBITDA	the Group’s earnings before interest, taxes, depreciation and amortisation (for covenant purposes, net debt is expressed at average foreign currency translation rates and EBITA, EBITDA and net interest numbers include pro forma adjustments related to joint venture interests, acquisitions and divestments, and restructuring)

euro or EUR or €	the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
Euroclear	Euroclear UK and Ireland Limited, the operator (as defined in the CREST Regulations) of CREST
European Economic Area or EEA	the European Union, Iceland, Norway and Liechtenstein
European Union or EU	an economic and political union of 28 member states which are located primarily in Europe
Ex-Rights Date	8.00 a.m. on 2 June 2016
Excluded Territories	Australia, Canada, Dubai International Financial Centre, Guernsey, Isle of Man, Japan, Jersey, New Zealand, Singapore, Switzerland, The Republic of South Africa and the United States and any jurisdiction where the extension and availability of the Rights Issue (and any other transactions contemplated in relation to it) would breach any applicable laws or regulations and Excluded Territory shall mean any of them
Executive Directors	Robert Murphy and Simon Nicholls
Existing Ordinary Shares	the 1,138,575,901 Ordinary Shares in issue at the date of this Prospectus
FBH	FB Heliservices Limited
FCA	the UK Financial Conduct Authority
FCPA	United States Foreign Corrupt Practices Act of 1977
FSMA	the UK Financial Services and Markets Act 2000, as amended
Fully Paid Rights	rights to subscribe for New Ordinary Shares, fully paid
Group or Cobham Group	Cobham and its subsidiaries and subsidiary undertakings, and, where the context requires it, its associated undertakings
Historical Financial Information Relating to the Cobham Group	The consolidated financial information of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 prepared in accordance with IFRS as adopted by the European Union, as extracted without material adjustment from the consolidated financial statements included in Cobham's 2013 Annual Report and Accounts, 2014 Annual Report and Accounts and 2015 Annual Report and Accounts, and the consolidated financial information of the Group for the periods ended 3 April 2015 and 1 April 2016 included in Part XV: " <i>Historical Financial Information Relating to the Cobham Group</i> " of this Prospectus
HMRC	HM Revenue and Customs
IFRS	International Financial Reporting Standards
Independent Non-Executive Directors	Mike Wareing, Alison Wood, Alan Semple, Mike Hagee, Jonathan Flint and Birgit Nørgaard
Jefferies	Jefferies International Limited
Joint Bookrunners	BofA Merrill Lynch and Jefferies
Joint Underwriters	BofA Merrill Lynch and Jefferies

Ka-Band	the SATCOM frequency range from 17.7 to 31.2 GHz
Ku-Band	the SATCOM frequency range from 11.7 to 14.5 GHz
L-Band	the SATCOM frequency range from 390 MHz to 1.55 GHz
Latest Practicable Date	31 May 2016 (being the latest practicable date prior to publication of this Prospectus)
Listing Rules	the listing rules of the FCA made under section 74(4) of the FSMA
London Stock Exchange	London Stock Exchange plc
Model Code	the model code published in Annex 1 to Chapter 9 of the Listing Rules
Member State	member state of the EU
Money Laundering Regulations	Money Laundering Regulations 2007
New Ordinary Shares	the 569,287,950 new Ordinary Shares to be issued pursuant to the Rights Issue
Nil Paid Rights	rights to subscribe for New Ordinary Shares, nil paid
Nomination Committee	the committee described in paragraph 3.3 of Part XII: “ <i>Directors, and Corporate Governance</i> ” of this Prospectus
Non-Executive Directors	John Devaney, Mike Wareing, Alison Wood, Alan Semple, Mike Hagee, Jonathan Flint and Birgit Nørgaard
Note Purchase Agreement	has the meaning given in paragraph 14.3 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Official List	the Official List maintained by the FCA
Ordinary Shares	ordinary shares of 2.5 pence each in Cobham
Overseas Shareholders	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
PCAOB	Standards of the Public Company Accounting Oversight Board
PD Regulation	Regulation (EC) No 809/2004
PDMR	person discharging managerial responsibilities within the meaning of Section 96B(1) of the FSMA
Placing	the placing of the Placing Shares that raised gross proceeds of approximately £180 million
Placing Agreement	the placing agreement among Cobham, Merrill Lynch International and UBS Limited dated 20 May 2014
Placing Shares	the 60 million Ordinary Shares placed by Merrill Lynch International and UBS Limited on 20 May 2014
Plans	the Share Schemes
pounds sterling or £	means the lawful currency of the United Kingdom of Great Britain and Northern Ireland
PRA	Prudential Regulation Authority

Preference Shares	the 6 per cent. second cumulative preference shares of £1 each in the Company
Prospectus	this Prospectus
Prospectus Directive or PD	Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State
Prospectus Rules	the prospectus rules made by the FCA under Part VI of the FSMA relating to offers of transferrable securities to the public and admission of transferrable securities to trading on a regulated market
Provisional Allotment Letter	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
PV	private venture
QIB	“qualified institutional buyer” as defined under Rule 144A
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form on the Record Date
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form on the Record Date
Qualifying Shareholders	holders of Ordinary Shares on the register of members of Cobham at the Record Date
Record Date	close of business on 27 May 2016
Registrar or Receiving Agent	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom
Regulation S	Regulation S under the Securities Act
Regulatory Information Service	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information from listed companies
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive
Remuneration Committee	the committee described in paragraph 3.2 of Part XII: “ <i>Directors and Corporate Governance</i> ” of this Prospectus
Resolutions	resolutions 17 and 18 as passed at the Annual General Meeting
RF	radio frequency
Rights Issue	the offer by way of a rights issue to Qualifying Shareholders to subscribe for New Ordinary Shares on the terms and conditions set out in this prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter
Rights Issue Price	89 pence per New Ordinary Share
Rule 144A	Rule 144A under the Securities Act
SATCOM	satellite communication

SDRT	stamp duty reserve tax
SEC	the U.S. Securities and Exchange Commission
Securities Act	the U.S. Securities Act of 1933, as amended
Sectors	the sectors of the company described in paragraph 5 of Part XI: “ <i>Business Overview of the Cobham Group</i> ” of this Prospectus
Shareholders	holders of Ordinary Shares
Share Options	the Share Options described in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
Share Schemes	the Cobham plc Performance Share Plan 2007, the Cobham plc Share Incentive Plan, the Cobham plc Savings-Related Share Option Scheme, the Cobham plc Executive Share Option Plan, and the Cobham plc U.S. Conditional Share Plan, as detailed in paragraph 9 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
SHE	safety, health and environment
SID or Senior Independent Director	Mike Wareing, the senior independent director appointed by the Board
Sponsor	Jefferies
SSA	Special Security Agreement
Takeover Panel	the Panel on Takeovers and Mergers
UK Corporate Governance Code	the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council
UK Military Flying Training Systems Rotary Wing Contract	the follow-on contract from the Defence Helicopter Flying School Contract
Underwriting Agreement	the underwriting agreement entered into between Cobham, BofA Merrill Lynch and Jefferies relating to the Rights Issue and further described in Part XVII: “ <i>Additional Information</i> ” of this Prospectus
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or U.S.	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
U.S. dollars or US\$	the lawful currency of the United States of America
U.S. GAAP	U.S. Generally Accepted Accounting Principles
U.S. GAAS	U.S. Generally Accepted Accounting Standards
U.S. Holder	has the meaning given in paragraph 17 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
U.S. Private Placement Notes	has the meaning given in paragraph 14.3 of Part XVII: “ <i>Additional Information</i> ” of this Prospectus
uncertificated or uncertificated form	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST
VAT	value added tax
X-Band	the SATCOM frequency range from 8.0 to 12.0 GHz

