

THIS DOCUMENT 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 (FSMA), 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 19 April 2017 (the **Ex-Rights Date**) please send this document which comprises a prospectus and a circular (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 34 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 PLC

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

2 for 5 Rights Issue of 683,145,540 New Ordinary Shares at 75 pence per New Ordinary Share

Notice of General Meeting and Prospectus

Joint Sponsors, Joint Bookrunners and Joint Underwriters

BofA Merrill Lynch

J.P. Morgan Cazenove

Co-Bookrunner and Joint Underwriter

Barclays

A Notice of General Meeting of the Company, to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 10.00 a.m. on 18 April 2017, is set out at the end of this Prospectus. A Form of Proxy for use in connection with the General Meeting is enclosed with this Prospectus. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Equiniti Limited (**Equiniti**) at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by not later than 10.00 a.m. on 12 April 2017 (or, in the case of an adjournment, not later than 48 hours, excluding non-working days, before the time fixed for the holding of the adjourned meeting). If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST Participant R019), so that it is received by no later than 10.00 a.m. on 12 April 2017. The completion and return of a Form of Proxy (or the electronic appointment of proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

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 document comprises: (i) a circular prepared in accordance with the Listing Rules of the Financial Conduct Authority (the **FCA**) made under section 73A of FSMA for the purposes of the General Meeting; and (ii) 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 87A 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 by the same being made available at www.cobhaminvestors.com and at Cobham's registered office at Brook Road, Wimborne, Dorset BH21 3BJ.

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 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 19 April 2017.

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.

Each of Merrill Lynch International (**BofA Merrill Lynch**), J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove (**J.P. Morgan Cazenove** and, together with BofA Merrill Lynch, the **Joint Sponsors** and the **Joint Bookrunners**) and Barclays Bank PLC (**Barclays** or the **Co-Bookrunner** and, together with BofA Merrill Lynch and J.P. Morgan Cazenove, 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 BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays 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 BofA Merrill Lynch, J.P. Morgan Cazenove, Barclays, 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, completeness or verification, 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 BofA Merrill Lynch, J.P. Morgan Cazenove, Barclays 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 Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, such authorities have not confirmed its accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The investors also acknowledge that: (i) they have not relied on BofA Merrill Lynch, J.P. Morgan Cazenove or Barclays or any person affiliated with BofA Merrill Lynch, J.P. Morgan Cazenove or Barclays in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) 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, J.P. Morgan Cazenove or Barclays.

Subject to the passing of the Resolutions, it is expected that Qualifying CREST Shareholders (subject to certain exceptions) will receive a credit to the appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 19 April 2017. 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. In connection with the Rights Issue, the Joint Underwriters and any of their respective affiliates may take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares in the Rights Issue as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Nil Paid Rights, Fully Paid Rights and New Ordinary Shares) and may offer or sell such securities otherwise than in connection with the Rights Issue, provided that the Joint Underwriters and their respective affiliates may not engage in short selling for the purpose of hedging their commitments under the Underwriting Agreement (subject to certain exceptions contained in the Underwriting Agreement). 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 Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Joint Underwriters or their affiliates may enter into financing arrangements with investors in connection with which such Joint Underwriters (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 Underwriters 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 Joint Sponsors or the Joint Underwriters 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 except pursuant to an applicable exemption from registration or qualification requirements.

Subject to the passing of the Resolutions, 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 4 May 2017. 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 to sell, or a solicitation of an offer to buy, any 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 any Provisional Allotment Letters will be distributed in or into any Excluded Territory, including the United States, and neither this Prospectus nor any Provisional Allotment Letter (if and when received) 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 other 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 Underwriters 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 Underwriters 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, BofA Merrill Lynch, J.P. Morgan Cazenove, Barclays 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 28 March 2017.

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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, employing 10,692 people as at 31 December 2016, primarily in the United States, the United Kingdom, continental Europe and Australia. It has customers and partners in more than 100 countries. The Group offers products and services to solve challenging problems across defence, security, aerospace and other commercial markets. It has leading market positions in: defence electronics; air-to-air refuelling; aviation services; life support and mission equipment; and wireless, audio, video and data communications, including satellite communications. The Group operates in four Sectors:</p> <ul style="list-style-type: none"> • <i>Mission Systems</i> – provides safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting systems for extreme environments, aerial refuelling

		<p>systems, weapons carriage and release systems and missile control actuation sub-systems for fast jets, transport aircraft and rotorcraft;</p> <ul style="list-style-type: none"> • <i>Advanced Electronic Solutions</i> – 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 encompasses defence, including missile, radar and electronic warfare, X-ray imaging, medical and industrial markets; • <i>Communications and Connectivity</i> – 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; and • <i>Aviation Services</i> – delivers outsourced aviation services for military, government 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 primarily out of manufacturing locations principally 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 United Kingdom and elsewhere in the world.</p>
B.4	<p>Significant recent trends affecting the Group and the industry in which it operates</p>	<p>During 2016, there was a succession of performance issues in a number of Cobham’s businesses. These stemmed from weaknesses in management and financial controls; contractual and commercial failures and, in a few businesses, more challenging market conditions.</p> <p>Change projects and initiatives driven from the centre had diverted focus from improving critical production, operational and contract performance. These change projects and initiatives consumed significant financial resources and management energy over a number of years with disappointing outcomes.</p> <p>The Group’s reporting structures, including its internal processes and the allocation of responsibilities had also become overly complex and unclear. In a number of instances, this led to duplication, reduced accountability and slow decision making, which contributed to sustained operational and financial challenges. This situation ultimately impacted employee motivation and morale, evidenced by the Group’s high voluntary staff turnover.</p> <p>The Group has continued to experience weak trading in certain of its shorter cycle commercial markets, including the maritime 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 decreasing demand, which has resulted in an excess of capacity in that market, leading to pressure on pricing and reduced flying activity. In addition, there were additional costs and deferred revenue in a small number of development programmes in the Advanced Electronic Solutions Sector. Within the Mission System</p>

		<p>Sector's aerial refuelling activities, the Group has taken an exceptional charge of £150 million in the year ended 31 December 2016 on the KC-46 tanker aircraft development programme, which the Directors believe fully bounds the Group's historic liabilities under the contract and funds the remaining work, after taking into account the Group's historic contract performance. Boeing and Cobham had agreed to a number of changes with respect to the KC-46 contract to provide a baseline for completion of the programme. During the course of commercial negotiations with Boeing, it was determined that the costs to complete the development schedule would fall largely to Cobham's account. The changes to the programme included the incorporation of a significant number of requirement-related changes into a programme schedule aligned with Boeing's needs, full and final settlement of all disputed amounts and claims, an updated payment schedule and an agreement on new ways of working, including the management of interdependencies and any future changes.</p>																								
B.5	Description of the issuer's group	<p>The Company is the holding company for the Group. The Group is an international technology and services business, employing 10,692 people as at 31 December 2016, primarily in the United States, the United Kingdom, continental Europe and Australia with customers and partners in more than 100 countries. The Group offers technologies and services to solve challenging problems across commercial, defence and security markets.</p>																								
B.6	Notifiable interest in the Existing Ordinary Shares, different voting rights, controlling interests	<p>As at 24 March 2017 (being the Latest Practicable Date), 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 Guidance 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"> <thead> <tr> <th><u>Name</u></th> <th><u>Number of Ordinary Shares</u></th> <th><u>Percentage of Ordinary Shares</u></th> </tr> </thead> <tbody> <tr> <td>Aberdeen Asset Managers Limited</td> <td>56,318,037</td> <td>3.298%</td> </tr> <tr> <td>Ameriprise Financial, Inc.</td> <td>57,508,406</td> <td>3.367%</td> </tr> <tr> <td>Black Rock, Inc</td> <td>96,911,563</td> <td>5.674%</td> </tr> <tr> <td>Causeway Capital Management LLC</td> <td>103,993,282</td> <td>6.089%</td> </tr> <tr> <td>Massachusetts Financial Services Company</td> <td>85,343,080</td> <td>4.997%</td> </tr> <tr> <td>Silchester International Investors LLP</td> <td>85,875,239</td> <td>5.028%</td> </tr> <tr> <td>Lancaster Investment Management LLP</td> <td>54,780,732</td> <td>3.208%</td> </tr> </tbody> </table> <p>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 Guidance 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 as at 24 March 2017.</p> <p>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>	Aberdeen Asset Managers Limited	56,318,037	3.298%	Ameriprise Financial, Inc.	57,508,406	3.367%	Black Rock, Inc	96,911,563	5.674%	Causeway Capital Management LLC	103,993,282	6.089%	Massachusetts Financial Services Company	85,343,080	4.997%	Silchester International Investors LLP	85,875,239	5.028%	Lancaster Investment Management LLP	54,780,732	3.208%
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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 year ended (i) 31 December 2016 has been extracted without material adjustment from the consolidated financial statements included in the 2016 Annual Report and Accounts, (ii) 31 December 2015 has been extracted without material adjustment from the consolidated financial statements included in the 2015 Annual Report and Accounts and (iii) 31 December 2014 has been extracted from the consolidated financial statements included in the 2015 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.

Consolidated Income Statement

	Year ended 31 December		
	2016	2015	2014
	(audited)	(audited)	(audited)
	(£ in millions)		
Revenue	1,943.9	2,072.0	1,851.7
Cost of sales	(1,567.3)	(1,408.2)	(1,290.1)
Gross profit	376.6	663.8	561.6
Selling and distribution costs	(134.5)	(130.1)	(100.3)
Administrative expenses	(1,021.2)	(521.7)	(403.7)
Operating (loss)/profit	(779.1)	12.0	57.6
Finance income	4.1	5.2	6.4
Finance costs	(72.9)	(57.0)	(39.7)
(Loss)/profit before taxation	(847.9)	(39.8)	24.3
Taxation	52.8	2.1	4.7
(Loss)/profit after taxation for the year	(795.1)	(37.7)	29.0
Attributable to:			
Owners of the parent	(795.2)	(37.8)	28.8
Non-controlling interests	0.1	0.1	0.2
	(795.1)	(37.7)	29.0
Earnings per ordinary share			
Basic	(52.8)p	(2.8)p	2.2p
Diluted	(52.8)p	(2.8)p	2.2p

Underlying operating profit (previously called trading profit) is calculated as follows:

Operating (loss)/profit	(779.1)	12.0	57.6
Adjusted to exclude:			
Business restructuring	(8.7)	67.5	52.2
Derivative financial instruments	39.3	18.8	21.8
Amortisation of intangible assets arising on business combinations	161.2	176.8	113.6
Other business acquisition and divestment related items	1.7	30.5	40.7
<i>Exceptional items</i>			
Impairment of goodwill and other intangible items	573.8	26.6	—
Revisions of the carrying values of other assets	33.3	—	—
Estimates of fixed price contract profitability	179.1	—	—
Assessment of legal and other provisions	24.4	—	0.8
Underlying operating profit	225.0	332.2	286.7
Underlying EPS⁽¹⁾	9.0p	16.5p	15.7p

Notes:

(1) Underlying EPS figures for the years ended 31 December 2015 and 2014 have been restated to reflect the bonus element of the 2016 Rights Issue.

Consolidated Statement of Comprehensive Income			
	<u>Year ended 31 December</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
	(audited)	(audited)	(audited)
	(£ in millions)		
(Loss)/profit after taxation for the year	(795.1)	(37.7)	29.0
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of defined benefit retirement benefit obligations	(42.6)	29.6	(27.7)
Actuarial loss on other retirement benefit obligations	(1.2)	—	(0.7)
Tax effects	8.9	(5.9)	5.0
	<u>(34.9)</u>	<u>23.7</u>	<u>(23.4)</u>
Items that may subsequently be reclassified to profit or loss			
Net translation differences on investments in overseas subsidiaries	41.3	(38.2)	(18.7)
Reclassification of cash flow hedge fair values	1.6	1.1	1.3
Hedge accounted derivative financial instruments ..	(2.8)	—	1.6
Tax effects	0.4	(0.2)	(0.9)
	<u>40.5</u>	<u>(37.3)</u>	<u>(16.7)</u>
Other comprehensive income/(expense) for the year	5.6	(13.6)	(40.1)
Total comprehensive expense for the year	(789.5)	(51.3)	(11.1)
Attributable to:			
Owners of the parent	(789.6)	(51.4)	(11.3)
Non-controlling interests	0.1	0.1	0.2
	<u>(789.5)</u>	<u>(51.3)</u>	<u>(11.1)</u>

Consolidated Balance Sheet

	As at 31 December		
	2016	2015	2014
	(audited)	(audited)	(audited) (restated)
	(£ in millions)		
Assets			
Non-current assets			
Intangible assets	1,165.9	1,729.5	2,040.8
Property, plant and equipment	422.9	379.9	390.0
Investment properties	3.6	4.3	10.4
Investments in joint ventures and associates	3.6	3.0	3.1
Trade and other receivables	66.0	71.3	51.1
Other financial assets	6.1	6.1	6.1
Deferred tax	42.3	11.4	10.5
Derivative financial instruments	19.7	6.5	7.6
	1,730.1	2,212.0	2,519.6
Current assets			
Inventories	405.3	410.4	429.5
Trade and other receivables	409.8	366.0	435.3
Current tax receivables	3.1	8.6	0.4
Derivative financial instruments	8.5	9.1	8.7
Cash and cash equivalents	236.2	294.7	225.6
Assets classified as held for sale	—	16.8	2.1
	1,062.9	1,105.6	1,101.6
Liabilities			
Current liabilities			
Borrowings	(60.9)	(156.4)	(1.5)
Trade and other payables	(430.8)	(398.1)	(505.5)
Provisions	(180.6)	(74.3)	(60.5)
Current tax liabilities	(149.5)	(125.1)	(119.2)
Derivative financial instruments	(42.2)	(30.6)	(20.7)
Liabilities associated with assets classified as held for sale	—	(12.7)	—
	(864.0)	(797.2)	(707.4)
Non-current liabilities			
Borrowings	(1,203.5)	(1,345.1)	(1,446.8)
Trade and other payables	(31.5)	(24.8)	(36.2)
Provisions	(57.3)	(68.2)	(66.5)
Deferred tax	(27.6)	(102.0)	(134.5)
Derivative financial instruments	(32.2)	(13.9)	(15.5)
Retirement benefit obligations	(87.0)	(56.7)	(102.0)
	(1,439.1)	(1,610.7)	(1,801.5)
Net assets	489.9	909.7	1,112.3
Equity			
Share capital	44.6	30.4	30.4
Share premium	778.3	301.9	301.9
Other reserves	37.9	(0.3)	42.7
Retained earnings	(372.0)	576.8	736.4
Total equity attributable to the owners of the parent	488.8	908.8	1,111.4
Non-controlling interests in equity	1.1	0.9	0.9
Total equity	489.9	909.7	1,112.3
Net debt	(1,028.2)	(1,206.8)	(1,222.7)

Consolidated Statement of Changes in Equity

(£ in millions)	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 2014	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
(Loss)/profit for the year	—	—	—	(795.2)	(795.2)	0.1	(795.1)
Items that will not be reclassified subsequently to profit or loss	—	—	—	(34.9)	(34.9)	—	(34.9)
Items that may subsequently be reclassified to profit or loss	—	—	40.5	—	40.5	—	40.5
Total comprehensive income/ (expense) for the year (audited)	—	—	40.5	(830.1)	(789.6)	0.1	(789.5)
Issue of shares, net of costs	14.2	476.4	—	—	490.6	—	490.6
Proceeds on allocation of treasury shares	—	—	—	2.3	2.3	—	2.3
Dividends	—	—	—	(126.1)	(126.1)	—	(126.1)
Share based payments	—	—	3.8	—	3.8	—	3.8
Transfer of other reserves to retained earnings	—	—	(5.1)	5.1	—	—	—
Tax effects	—	—	(1.2)	—	(1.2)	—	(1.2)
Foreign exchange adjustments	—	—	0.2	—	0.2	0.1	0.3
Total equity at 31 December 2016 (audited)	44.6	778.3	37.9	(372.0)	488.8	1.1	489.9

Consolidated Cash Flow Statement

	Year ended 31 December		
	2016	2015	2014
	(audited)	(audited)	(audited)
	(£ in millions)		
Operating (loss)/profit	(779.1)	12.0	57.6
Non-cash items:			
Share of post-tax profits of joint ventures and associates	(0.2)	(0.2)	(0.2)
Depreciation and amortisation	248.1	254.4	190.8
Impairment of goodwill and intangible assets	573.8	26.6	—
Loss/(profit) on sale of property, plant and equipment	4.4	(1.4)	(0.3)
Business acquisition and divestment related items ..	1.7	27.3	23.8
Derivative financial instruments	39.3	18.8	21.8
Pension contributions in excess of pension charges	(16.7)	(17.8)	(16.9)
Share based payments	3.8	(3.0)	6.1
Operating cash movements:			
Decrease/(increase) in inventories	50.8	(34.6)	(11.9)
Decrease/(increase) in trade and other receivables ..	21.9	19.1	(68.3)
(Decrease)/increase in trade and other payables	(9.7)	(38.6)	17.3
Increase in provisions	87.9	7.4	12.9
Tax paid	(20.1)	(31.5)	(37.0)
Interest paid	(74.7)	(53.0)	(31.5)
Interest received	3.5	3.6	3.7
Net cash from operating activities	134.7	189.1	167.9
Cash flows from investing activities			
Purchase of property, plant and equipment	(82.8)	(97.8)	(63.7)
Purchase of intangible assets	(9.1)	(18.6)	(12.4)
Capitalised expenditure on intangible assets	(0.3)	—	—
Proceeds on disposal of property, plant and equipment	6.1	17.7	2.3
Investment in loan notes	—	—	(9.0)
Acquisition of subsidiaries net of cash or debt acquired	(1.4)	(52.6)	(846.1)
Contingent consideration paid	—	—	(28.5)
Proceeds of business divestments	1.0	205.2	6.6
Net cash (used in)/from investing activities	(86.5)	53.9	(950.8)
Cash flows from financing activities			
Issue of share capital	490.6	—	176.8
Dividends paid	(126.1)	(122.1)	(108.3)
Purchase of treasury shares	—	(29.3)	(5.5)
Proceeds on allocation of treasury shares	2.3	4.4	8.8
New borrowings	9.9	257.9	1,467.5
Repayment of borrowings	(497.0)	(271.0)	(699.9)
Net cash (used in)/from financing activities	(120.3)	(160.1)	839.4
Net (decrease)/increase in cash and cash equivalents			
equivalents	(72.1)	82.9	56.5
Exchange movements	14.3	(13.2)	(31.2)
Cash and cash equivalents at start of year	294.0	224.3	199.0
Cash and cash equivalents at end of year	236.2	294.0	224.3

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

During the period under review, revenue increased by 12 per cent. from £1,852 million in the year ended 31 December 2014 to £2,072 million in the year ended 31 December 2015, primarily as a result of the full year

		<p>effect of the Aeroflex acquisition net of divestments which completed during the year ended 31 December 2014. Revenue decreased by 6 per cent. to £1,944 million in the year ended 31 December 2016, primarily as a result of the impact of divestments together with a decline in organic revenue in each of the Group's four operating sectors, partially offset by a significant benefit from currency translation, as sterling weakened against all four of the Group's primary foreign currencies.</p> <p>Underlying operating 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 shorter cycle commercial volumes and an adverse revenue mix in the Advanced Electronic Solutions Sector. Underlying operating profit decreased by 32 per cent. to £225 million in the year ended 31 December 2016. This decrease reflected the revenue reduction in the year ended 31 December 2016 from lower shipment volumes, an adverse revenue mix and reduced flying activity in the Aviation Services Sector. There were also significant additional costs incurred in the wireless business and on certain development programmes in the Advanced Electronic Solutions Sector.</p> <p>Following a balance sheet review, the Group made a number of adjustments for the year ended 31 December 2016, resulting in impairments of goodwill and intangible assets, revisions of the carrying values of other assets, estimates of fixed price contract profitability and an assessment of legal and other provisions. These adjustments have been treated as exceptional items in the 2016 Annual Report and Accounts. The Group recognised a total non-cash impairment of goodwill and other intangible fixed assets of £574 million consisting of charges against the wireless business unit, within the Communications and Connectivity Sector, the integrated electronic solutions business unit, within the Advanced Electronic Solutions Sector, and the semiconductor solutions business unit, within the Advanced Electronic Solutions Sector. A charge of £33 million has been taken against the carrying values of other assets, including £20 million against inventory balances reflecting ageing stock and lower demand forecasts, £4 million against intangible assets no longer planned to be used, £4 million tangible asset write down against plant and machinery and similar items no longer expected to be used and £5 million provision against aged receivables considered doubtful. A charge of £179 million has been taken against estimates of fixed price contract profitability including KC-46, reflecting increased estimates of costs to complete and, in some cases, lower recovery from customers. Finally, legal and other provisions of £24 million have been made to cover the estimated exposure on a number of legal, environmental, warranty and other regulatory matters across the Group.</p> <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 2014, 2015 and 2016.</p> <p>There has been no significant change in the financial or trading position of the Group since 31 December 2016 being the date to which the latest audited consolidated financial statements of the Group were prepared.</p>
B.8	Unaudited pro forma financial information	<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 31 December 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 Prospectus Rules. 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 31 December 2016.</p> <p>Unaudited pro forma net assets statement</p> <p>Selected unaudited pro forma net assets statement</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Adjustments</th> </tr> <tr> <th>As at 31 December 2016⁽¹⁾</th> <th>Rights Issue⁽²⁾</th> <th>Total</th> </tr> <tr> <th></th> <th>(audited)</th> <th>(unaudited)</th> <th></th> </tr> <tr> <th></th> <th colspan="3">£ in millions</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td>1,730.1</td> <td>—</td> <td>1,730.1</td> </tr> <tr> <td>Current assets</td> <td>1,062.9</td> <td>496.6</td> <td>1,559.5</td> </tr> <tr> <td>Total assets</td> <td>2,793.0</td> <td>496.6</td> <td>3,289.6</td> </tr> <tr> <td>Current liabilities</td> <td>(864.0)</td> <td>—</td> <td>(864.0)</td> </tr> <tr> <td>Non-current liabilities</td> <td>(1,439.1)</td> <td>—</td> <td>(1,439.1)</td> </tr> <tr> <td>Total liabilities</td> <td>(2,303.1)</td> <td>—</td> <td>(2,303.1)</td> </tr> <tr> <td>Net assets</td> <td>489.9</td> <td>496.6</td> <td>986.5</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> The net assets of the Group as at 31 December 2016 have been extracted without adjustment from the 2016 Annual Report and Accounts, which are incorporated by reference in this document (see Part VI: "Information Incorporated by Reference"). Adjustments to reflect the net proceeds of the Rights Issue receivable by the Company of approximately £497 million (being gross proceeds of approximately £512 million less estimated fees and expenses relating to the Rights Issue of approximately £16 million, excluding VAT). 		Adjustments			As at 31 December 2016 ⁽¹⁾	Rights Issue ⁽²⁾	Total		(audited)	(unaudited)			£ in millions			Non-current assets	1,730.1	—	1,730.1	Current assets	1,062.9	496.6	1,559.5	Total assets	2,793.0	496.6	3,289.6	Current liabilities	(864.0)	—	(864.0)	Non-current liabilities	(1,439.1)	—	(1,439.1)	Total liabilities	(2,303.1)	—	(2,303.1)	Net assets	489.9	496.6	986.5
	Adjustments																																												
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Net assets	489.9	496.6	986.5																																										
B.9	Profit forecast / estimate	Not applicable; there is no profit forecast or estimate in this Prospectus.																																											
B.10	Audit report – qualifications	<p>Not applicable; there are no qualifications in the auditor's reports on the consolidated financial information relating to the Cobham Group incorporated by reference in this Prospectus.</p> <p>The audit report on the financial statements for the financial year ended 31 December 2016 contains an emphasis of matter in respect of going concern: "In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements [incorporated by reference in this prospectus] concerning the Group's ability to continue as a going concern. The matters explained in the Directors' going concern assessment [...] disclose that a shareholder vote is required in order to increase the share capital of the Company which is needed to raise additional capital through a rights issue and this has not yet taken place. The rights issue is fully underwritten on a standby basis, subject to customary conditions. These conditions, along with the other matters explained in note 1 to the financial statements [incorporated by reference in this prospectus], indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern."</p>																																											

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 Existing Facilities, 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.
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Section C – Securities		
C.1	Description of the Rights Issue	The Rights Issue comprises 683,145,540 New Ordinary Shares with a nominal value of 2.5 pence each and the ISIN GB00B07KD360. The ISIN for the Nil Paid Rights is GB00BDH3DQ90 and the ISIN for the Fully Paid Rights is GB00BDH3GF90.
C.2	Currency of issue	Pounds sterling.
C.3	Issued share capital	As at the Latest Practicable Date, the Company has in issue 1,783,815,575 fully paid Ordinary Shares and 19,700 Preference Shares. 75,951,724 Ordinary Shares are held in treasury, representing 4.4 per cent. of the total ordinary share capital (excluding such treasury shares) 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 will be 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 19 April 2017.</p>
C.7	Dividend policy	<p>As previously announced on 11 January 2017, the Board will not be recommending a final dividend in respect of financial year 2016. Furthermore, as announced on 2 March 2017, the Board will not recommend either an interim or a final dividend in respect of financial year 2017 and expects to resume dividend payments only when it is prudent to do so. This decision, and the level of payment, will take into account a number of factors, including the Group's underlying earnings, cash flows and gearing, its investment needs and the requirement to maintain an appropriate level of dividend cover.</p> <p>The Group paid an interim dividend for 2016 of 2.03 pence on 4 November 2016. The total dividend for financial years 2015 and 2014 was 11.18 pence and 10.65 pence, respectively.</p>

Section D – Risks

D.1	Key information on the key risks that are specific to the issuer or its industry	<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 business, results of operations, financial condition and prospects could be materially affected by a decline in government defence and security budgets or changes in budgetary priorities, deterioration in the macroeconomic environment and cyclicity 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. Short term fluctuations in demand affecting shorter 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 the Group’s business, results of operations, financial condition and prospects. 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, financial condition and prospects of the Group.</p> <p>The Group operates in certain highly competitive markets and any inability to successfully compete could result in a loss of market share and a decline in revenue and profitability, which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. 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, financial condition and prospects of the Group.</p> <p>The Group has significant borrowings and liabilities which may affect its customers’ confidence in the ability of the Group to deliver on its contracts. Any future determinations of significant impairments of goodwill, intangible assets or other assets as a result of an impairment test, accelerated amortisation or other write downs could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.</p> <p>The Group’s operations and sales are subject to political, economic and other uncertainties, which could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects. The Group is subject to 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 materially adversely impact the Group’s business, results of operations, financial</p>
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	<p>condition and prospects. 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. 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, results of operations, financial condition and prospects.</p> <p>The Group relies upon its internal governance framework to ensure that its policies and procedures are properly implemented and any failure of this framework, either as a result of the ineffective development of an enhanced internal governance framework or the inability of the Group to manage its U.S. defence business as a result of a Special Security Agreement (SSA) with the U.S. Department of Defense, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The Group's decentralised organisational structure delegates considerable operational autonomy and responsibility to its business units, including with respect to the negotiation and performance of the Group's contracts with its customers. Any failure to maintain effective procedures, policies and controls could materially adversely affect the Group's business, results of operations, financial condition and prospects. In addition, the SSA is intended to ensure that the U.S. defence business is not subject to the effects of foreign ownership, control and influence (FOCI). By its nature, the terms of the SSA reduces the ability for the Group to manage its U.S. defence business due to reduced visibility into the business, its performance and its control environment, which is managed separately from the Group's governance framework. As a result of the foregoing, the Group is restricted in its ability to monitor the control environment for its U.S. defence business and, as a result, the Sector's internal control process may differ from those applied throughout the Group and may lead to control issues which, if elevated to the level of a control deficiency, could materially adversely affect the Group's business, results of operations, financial condition and prospects.</p> <p>The Group relies on third party manufacturers and key suppliers to conduct its operations and any failure on the part of these manufacturers or suppliers could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. 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, which may result, among other things, in disruption to delivery schedules.</p> <p>Significant fluctuations in the value of sterling against other currencies have had and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. The Group's sterling-denominated financial statements and financial covenants 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 effecting divestments in a timely manner, may have limited capacity for acquisitions, may experience</p>
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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 United Kingdom 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 any rights to subscribe for 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 £497 million, after estimated fees and expenses of approximately £16 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>The Group's current balance sheet is not strong enough to support the operations of the Group, given the important role it plays in many customer programmes. A stronger balance sheet will underpin the confidence of the Group's customers and other stakeholders, supporting the Group's medium term growth aspirations, for the benefit of the Company's shareholders.</p> <p>The Group is targeting a net debt/EBITDA ratio of approximately 1.5x. This should be an appropriate capital structure given the requirement for</p>

		<p>balance sheet strength. Progress towards this target needs to be accelerated to give the Group's customers, suppliers and employees confidence in the Group's financial position. Accordingly, the Directors believe that the successful completion of the Rights Issue is in the best interest of the Group. Assuming the Rights Issue proceeds as planned, the Group expects to have considerable financial resources with liquidity available on the balance sheet from its cash resources and it has a spread of maturities on its Existing Facilities.</p> <p>Before deciding to pursue the Rights Issue, and in addition to suspending the Group dividend, the Board considered, but determined that it was not in the best interest of the Group to pursue, other options and combinations of options regarding the Group's balance sheet. These included the possibility of seeking amendments to the Group's covenants under the terms of its financing documents (with or without undertaking an equity capital raising). These also included a smaller equity placing of shares and possible asset disposals. However, having considered these options, and the cash required to complete ongoing development programmes and strengthen the balance sheet position, the Board has concluded that it is in the Group's best interests to raise approximately £512 million in gross proceeds by way of a fully underwritten Rights Issue. If the Rights Issue does not occur, and the Group anticipates that a covenant breach would be likely to occur, the Group expects that it would approach its lenders to seek to renegotiate the terms of its financing documents and to secure amendments from them. There can be no certainty that the Company would be able to secure such an amendment on acceptable terms or at all. In these circumstances, if the Group's net debt/EBITDA should exceed 3.5x, the Group's lenders would have the right to demand accelerated repayment of substantially all of the Group's outstanding financial indebtedness (approximately £1,264 million as at 31 December 2016). The Board believes that it is unlikely that the Rights Issue will not occur but the consequences of not being successful indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. As a result, the auditor's opinion on the consolidated financial statements included in the 2016 Annual Report and Accounts includes an emphasis of matter statement in respect of going concern.</p> <p>The Rights Issue is expected to raise approximately £512 million in gross proceeds. The Board currently intends to use the net proceeds of the Rights Issue to pay down borrowings under the Group's Existing Facilities when they mature. The Group has forward purchased £485 million worth of U.S. dollars with the intention of aligning the currency mix of net debt more closely with the currency mix of the Group's profits, thereby reducing foreign exchange exposure on the Group's net debt/EBITDA ratio.</p> <p>The Board does not currently intend to pay down the Group's outstanding U.S. Private Placement Notes prior to maturity where such prepayment would incur make-whole charges.</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, 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 75 pence per New Ordinary Share represents a 40.9 per cent. discount to the Closing Price of 126.8 pence per Ordinary Share and an approximately 33.0 per cent. discount to the theoretical ex-rights price of 112.0 pence per Ordinary Share, in each case on 27 March 2017, 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 683,145,540 New Ordinary Shares being issued (representing approximately 40.0 per cent. of the existing issued share capital of the Company and 28.6 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 Underwriters pursuant to the terms of the Underwriting Agreement.</p> <p>The Rights Issue is conditional, <i>inter alia</i>, upon (a) the passing of the Resolutions (without any material amendment) at the General Meeting, (b) the Underwriting Agreement becoming unconditional and (c) Admission becoming effective.</p> <p>Applications will be 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 19 April 2017.</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 4 May 2017.</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 Underwriters.</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 located or resident in an Excluded Territory) will experience a 28.6 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 28.6 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 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 financing documents contain a number of covenants, including net debt/EBITDA and EBITA/net interest financial covenants, which limit the Group's financial and operational flexibility. As at 31 December 2016, the Group's net debt was £1,028 million, its net debt/EBITDA ratio for covenant purposes was 3.0x and its EBITA/net interest ratio for covenant purposes was 5.1x. The level of the Group's net debt has increased significantly in recent years, due in part to the debt incurred for the Aeroflex acquisition in 2014 and in part to exchange rate movements. The Board has recognised that strengthening the Group's balance sheet is desirable to support the operations of the Group, given the important role it plays in many customer programmes. As a result, the Board has concluded that it is in the Group's best interest to proceed with the Rights Issue.

There are risks, however, that may prevent the Rights Issue proceeding in line with the expected timetable or at all. There is a risk that insufficient Shareholders will vote in favour of the Resolutions to enable the Rights Issue to occur. Further, while the Rights Issue is fully underwritten, that underwriting is subject to customary conditions which would allow the Joint Underwriters not to subscribe for New Ordinary Shares not taken up in the Rights Issue in a number of circumstances, including there being a material adverse change in the affairs of the Group or financial markets.

In the event that the Rights Issue does not complete, the Group has concluded that, under a reasonable base case scenario, it would not breach the covenants in its financing documents as at the next covenant test date (with respect to the 12 months ending on 30 June 2017) or subsequent semi-annual covenant test dates. However, under a reasonable worst case scenario, if the Rights Issue does not complete and if the risks assumed in the reasonable worst case scenario were to come to pass (and no other actions were taken by the Group (such as the reduction of discretionary capital and development expenditures or disposal of assets)), it is expected that the Group would breach its covenants as at the next covenant test date on 30 June 2017 (with respect to the 12 months ending on 30 June 2017). If the Rights Issue does not complete and the Group anticipates that a covenant breach would be likely to occur, the Group expects that it would approach its lenders to seek to renegotiate the terms of its financing documents and to secure amendments from them. However, on the basis that under a reasonable base case scenario there would be no covenant breach, the Group has not approached its lenders and, therefore, there can be no assurance that the Group will be able to obtain such amendments to the Group's financing documents at all or without significant cost to the Group in the form of additional fees payable, including make-whole payments for refinanced indebtedness, amendment fees, increased interest payments or additional restrictions on its business. Following any such amendment (depending on the terms of such amendment), without the proceeds of the Rights Issue and if the risks assumed in the reasonable worst case scenario were to come to pass, the Group may nevertheless breach its covenants as at the next subsequent

covenant test date on 31 December 2017. Further, as a result of any such amendments, the Group may find it more challenging to refinance its Existing Facilities (as defined herein) as they fall due. In addition, the Group may also seek to reduce discretionary capital and development expenditure and/or dispose of certain assets so as to prevent a covenant breach. There can be no assurance that the Group will be able to reduce expenditures at all or before the covenant test date or that the Group will be able to find buyers for such assets by then. The Group does not anticipate completing any disposals prior to the next covenant test date on 30 June 2017. As a result, if the assumptions under the reasonable worst case scenario come to pass and the Rights Issue does not proceed and the Group is not able to obtain appropriate amendments to the Group's financing documents and/or reduce capital expenditure sufficiently and/or to sell sufficient assets, there is a risk that the Group may breach its net debt/EBITDA or its EBITA/net interest covenants.

If the interim financial statements of the Group (which are required to be delivered to the lenders within 120 days of 30 June 2017) demonstrate that either the Group's net debt/EBITDA ratio exceeded 3.5x or that the Group's EBITA/net interest ratio was less than 3.0x, with respect to the 12 months ending on 30 June 2017, and without further action on the Group's part to obtain amendments from its lenders, the Group's lenders would have the right to demand accelerated repayment of substantially all of the Group's outstanding financial indebtedness. The date on which such a demand could be made would be no later than 28 October 2017, being the date by which the Group is required to deliver its interim financial information to its lenders for the purposes of testing the covenants. If such a demand were to be made, and without further action on the Group's part to obtain amendments from its lenders, the Group does not expect that it would have the funds immediately available to repay such amounts, in which case Shareholders could lose all or part of the value of their investment in the Company.

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

- requiring the Group to use available cash flow to service its debt obligations, thereby restricting the Group's ability to pay dividends or other distributions to shareholders and limiting the Group's ability to make acquisitions as well as capital expenditure or other investments in the Group's business; and
- placing the Group at a disadvantage compared to its competitors that may be less leveraged or restricted by financial covenants.

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

The Group's business, results of operations, financial condition and prospects 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 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. Short term fluctuations in demand affecting shorter 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 34 per cent. of the Group's revenue for the financial year ended 31 December 2016 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. The BCA 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**) and, as a result, DoD funding levels have fluctuated over this period and have been difficult to predict. For example, the DoD budget was reduced by 8 per cent. in fiscal year 2013 as compared to fiscal year 2012, but remained essentially flat for fiscal years 2014 and 2015. The BBA raised DoD funding for fiscal year 2016 by approximately 5 per cent. relative to fiscal year 2015, but the ultimate DoD funding for fiscal year 2017 remains uncertain because the DoD is operating under a continuing resolution. This continuing resolution limits certain key funding levels, such as operations and maintenance, to fiscal year 2016 levels and does not authorise new programme starts. Future spending levels are subject to a wide range of outcomes, depending on Congressional action. 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 a governmental shut-down. Additionally, 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 25 per cent. of the Group's revenue for the financial year ended 31 December 2016 was derived from contracts with non-U.S. (**UK, RoW**) governments and agencies and their contractors or subcontractors. 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 and 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 remain high, which the Group expects will continue to limit growth in defence and security investment in the region.

The global defence 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 shorter cycle commercial markets, including the maritime 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 decreasing demand, which has resulted in an excess of capacity in that market, leading to pressure on pricing and reduced flying activity. 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, that business activity will increase or that any increased levels of business activity would continue as a trend into the future, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 the Group's business, results of operations, financial condition and prospects.

The Group designs, develops and delivers products and services that are often customised, utilising complex technologies, working capital intensive and delivered 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 delayed supply of product, inventory obsolescence, constraints on the Group's liquidity position and the incurrence of other contractually related liabilities, among other things, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 the KC-46 aerial refuelling aircraft. If the Group fails to accurately estimate the resources and time necessary for these contracts or fails to achieve milestones under or complete these contracts within the time frames 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 and quality of supplier and other counterparty performance), unanticipated technical problems, material changes or 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 and the associated cash flows, including that it may not be paid in full or in part by the customer for work undertaken and costs incurred or collect all of the amounts recorded on the Group's balance sheet in prior periods, as well as on the Group's reputation and the Group may be subject to claims for damages by its counterparties for late delivery (if the delay was determined to have been caused by Cobham). For example, as at 31 December 2016, the Group recorded a total charge of £179 million against certain contracts (including a charge of £150 million in respect of the KC-46 aerial refuelling aircraft contract), reflecting increased estimates of costs to complete and, in some cases, reduced recovery under the contracts. The Group's estimates on the costs to complete and recovery under these contracts are inherently judgemental and, while the Board believes it has taken a reasonable view of the costs to fulfil these contracts, there can be no assurance that the Group will not be required to record additional charges in future periods.

In addition, there are residual risks remaining within the KC-46 contracts, which relate primarily to the completion of the conformity and qualification processes. Within the conformity process, which is intended to ensure that all of the documentation relating to the design and production of the equipment has been properly prepared, there is a risk that the wing mounted refuelling pods, for which the conformity process is still ongoing, will be more costly and take longer to complete than the Group currently anticipates. Within the qualification process, which is intended to ensure that the equipment meets all of the contractual specifications (including reliable operation in a number of environmental conditions), the equipment is subject to qualification at a line replaceable unit (LRU) level, which is deeper than previous qualification processes undertaken by the Group which have been conducted primarily at a sub-system and system level. There is a risk that completion of qualification for both the wing mounted refuelling pods and the centreline drogue system will identify non-compliance that will need to be addressed through re-design, at a cost in excess of the Group's current estimates to complete. Furthermore, the Group is currently engaged in low-rate initial production (LRIP) of the equipment, and any issues arising from the conformity and qualification process may require re-work and re-design of any completed production units to be undertaken, which may be more costly than the amount included within the Group's current estimates to complete. Any of these risks could result in significant additional expenditure by the Group under this fixed price contract and may result in potential damages claims from the counterparty for late delivery (if the delay was caused by Cobham), which could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group also 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 and other penalties, including unlimited direct damages under certain contracts. The nature of much of the work done by the Group under its contracts means that contractual disputes, variations and renegotiations may 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, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's order intake and order book may not be a reliable predictor 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, financial condition and prospects of the Group.

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 or reductions in order book 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. In addition, the value of individual orders from the Group's customers can be significant, and the timing of order receipt can have a material impact on the Group's order book in a given reporting period. Furthermore, the overall mix of the Group's order book can have a significant impact on the Group's revenue during a given period and a shift from high margin activity to lower margin activity will directly impact the Group's underlying operating profit as orders are converted to revenue. Finally, in certain of the Group's commercial businesses, the Group has limited visibility over its order intake in future periods because these businesses operate through a master distributor model in which the Group's products are purchased in bulk and onsold to smaller resellers through a series of much smaller transactions. As a result, the Group has limited visibility on future demand for these products and is highly dependent on the product strategy employed by these master distributors. 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, financial condition and prospects of the Group.

The Group operates in certain highly competitive markets and any inability to successfully compete could result in a loss of market share and a decline in revenue and profitability, which could have a material adverse effect on the business, results of operations and financial condition of the Group.

The Group operates in certain highly competitive markets. Current and prospective customers for its products evaluate their capabilities against the merits of those 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-competitive basis. In certain of the Group's commercial markets, the Group's key competitors in those markets have adopted aggressive pricing strategies, which has impacted and may continue to impact the margin the Group is able to earn on sales of its products in those markets. Similarly, the Group has experienced consolidation of distributors in certain of its commercial markets, which has increased the bargaining power of such distributors and resulted in further pricing pressure for the Group's products, which has likewise impacted and may continue to impact the margin the Group is able to charge on its products in those markets. Furthermore, the Group has recently changed its pricing strategies in certain of its commercial markets, including in connection with the granting of rebates and there can be no assurance that the Group will be able to reset customer expectations or that its customers will not seek rebates or other pricing incentives from its competitors. In addition, the Group may not be able to successfully identify or exploit new opportunities and may not have the necessary financial or operational resources to develop new products and systems to satisfy evolving customer requirements. At the same time, products and technologies developed by competitors may render the Group's products, services and systems obsolete or non-competitive. Furthermore, conditions within the Australian natural resources market remain challenging and there are risks that existing contracts may be put out for re-tender or, if the Group fails to compete effectively on price or level of service, the Group's contracts may be terminated early or not renewed.

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 or maintain its exclusive supplier relationships. In addition, certain of the Group's customers have the capability, and may decide in the future, to insource the production of certain products and the provision of certain services currently supplied by the Group, or that may otherwise in the future have been supplied by the Group. 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, financial condition and prospects 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 31 March 2018. In May 2016, Airbus Helicopters UK Ltd was selected as the aircraft service provider in support of the follow-on contract, which will result in a loss in revenue in the Aviation Services Sector.

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, can increase competition for bids for certain contracts, driving down profit margins for some 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, financial condition and prospects of the Group.

The Group has significant borrowings and liabilities which may affect its customers' and suppliers' confidence in the ability of the Group to deliver on its contracts.

The Group's financing documents contain a number of covenants, including net debt/EBITDA and EBITA/net interest financial covenants, and as at 31 December 2016, the Group's net debt/EBITDA ratio for covenant purposes was 3.0x as compared to a covenant upper limit of 3.5x. A perception in the market that the Group may breach its covenants may affect the Group's customers' confidence in the ability of the Group to deliver on its

current and future long-term contracts and programmes, which may result in reduced orders, reduced willingness on the part of customers to make prepayments and more onerous contract provisions and may affect the Group's suppliers' confidence in the ability of the Group to meet its obligations to its suppliers or may result in such suppliers limiting the amount of trade credit they are willing to extend to the Group or shortening the credit terms they are willing to offer. If, as a result of its significant borrowings and liabilities, the Group's customers delay projects or contract instead with the Group's competitors or the Group's suppliers limit the amount of trade credit they are willing to extend to the Group or otherwise limit or restrict their dealings with the Group, it could result in reduced order intake or impact the Group's ability to deliver under its contracts on time or on budget, all of which have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Any future determinations of significant impairments of goodwill, intangible assets or other assets as a result of an impairment test, accelerated amortisation or other write downs could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

At 31 December 2016, the Group had goodwill of £725 million and other intangible assets of £441 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 the Group recorded a total non-cash impairment of goodwill and other intangible fixed assets of £574 million during the year ended 31 December 2016 consisting of charges against:

- the wireless business unit, within the Communications and Connectivity Sector, where there was an impairment of goodwill and intangible assets of £196 million. This unit includes part of the Aeroflex acquisition in 2014 and Axell Wireless in 2013;
- the integrated electronic solutions business unit, part of the Advanced Electronic Solutions Sector, where there was an impairment of goodwill of £186 million. This unit includes the Lansdale business acquired in 2009, part of the M/A-COM business also acquired in 2009, the Trivec business acquired in 2011 and part of the Aeroflex acquisition in 2014; and
- the semiconductor solutions business unit, also within the Advanced Electronic Solutions Sector, where there was an impairment of £192 million. This unit includes part of the Aeroflex acquisition in 2014.

There can be no assurance that the Group will not be required to record additional impairment charges to goodwill relating to acquired businesses in future periods.

In addition, certain of the Group's cash generating units where the goodwill value is deemed to be significant have limited headrooms, which could result in impairments if the assumptions about anticipated trading, cost synergies, discount rates or projected growth rates, differed significantly from the Group's updated projections in future periods. 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 material adverse effect on business, results of operations, financial condition and prospects.

In addition, as part of its 2016 balance sheet review, the Group made further revisions of the carrying values of other assets on the balance sheet, including £20 million against the inventory balance reflecting ageing stock and lower demand forecasts, £4 million against intangible assets no longer planned to be used, £4 million tangible asset write downs against plant and machinery and similar items no longer expected to be used and a £5 million provision against aged receivables considered doubtful. Future determinations of significant impairments of other assets as a result of an impairment test or any accelerated depreciation and write downs of the carrying value of other assets could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's operations and sales are subject to political, economic and other uncertainties, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to legal and regulatory risks. These include:

- changing political conditions, and changing laws and policies affecting trade and investment;
- changing local laws and regulations;

- risks of terrorism and civil unrest;
- expropriation, confiscation or nationalisation of the Group's assets;
- renegotiation or nullification of the Group's existing contracts;
- overlap of different tax structures;
- 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; and
- inability to deliver product due to shipping or port restrictions.

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 business, results of operations, financial condition and prospects.

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 materially adversely impact the Group's business, results of operations, financial condition and prospects.

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 (the Company is also subject to regulation as a consequence of its Ordinary Shares being admitted to the premium listing segment of the Official List of the FCA) and other countries. These include anti-corruption laws, secrecy laws, import and export controls (which include, without limitation, the requirements of the U.S. International Traffic in Arms Regulations (**ITAR**) and the requirements of the Office of Foreign Assets Control (**OFAC**)), 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 various policies and procedures for the purpose of complying with such laws and regulations. However, there is a risk that such policies or procedures will not work (or have not worked) effectively all of the time and in all circumstances in order to protect the Group against liability under such laws and regulations, including those relating to import and export controls as described above, and 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.

For example, OFAC regulations prohibit transactions with certain persons and organisations listed on the OFAC website as "Terrorists" and "Specially Designated Nationals and Blocked Persons", as well as listed embargoed countries and regions. The Group must check this list on an ongoing basis to ensure that potential customers and existing customers are not prohibited persons or entities and are not from embargoed countries or regions before transacting any business with them.

On 24 March 2017, the Company was informed orally by the FCA that it was being referred to the FCA's Enforcement Division for investigation in connection with the Company's handling of inside information prior to its trading update and announcement of its intention to undertake the 2016 Rights Issue on 26 April 2016. The Company is co-operating fully with the FCA. As the FCA has a range of enforcement tools available to it, the Group is currently unable to predict the timing of the investigation or its outcome.

Certain of the Group's U.S. entities in its Advanced Electronic Solutions Sector currently hold facility security clearances under an SSA. The SSA is intended to effectively insulate such U.S. entities from FOCI and includes restrictions on access to classified information and export-controlled information by all entities outside of the SSA. The SSA renewal process, which was expected to be completed in 2016, is ongoing, with the existing SSA still in operation by agreement with the DoD. A failure to meet the requirements or a breach of the SSA could result in a termination of the SSA, which in turn would result in the Group's affected U.S. entities losing their

facility security clearances, being subject to U.S. government claims and losing U.S. government contracts involving classified contracts. This in turn could have a material adverse impact on the Group's U.S. business, results of operations, financial condition and prospects.

In addition, due to the nature of the Group's products, it must typically obtain licences and authorisations from various U.S. and UK, RoW 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 have a material adverse effect on its business, results of operations, financial condition and prospects.

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, results of operations, financial condition 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. 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, but there is a risk that such policies or procedures will not work, or have not worked effectively all of the time and in all circumstances, in order to 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, results of operations, financial condition 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, results of operations, financial condition and prospects.

The Group relies upon its ability to recruit and retain talented employees with appropriate skills in order to meet the needs of its business and insufficient availability of such personnel could materially adversely affect the Group's business, results of operations, financial condition and prospects.

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.

In part, as a result of the recent operational and financial challenges facing the Group, which has resulted in high employee turnover, the Group was required to hire new senior managers and management teams in certain of its business units, including the SATCOM, antenna systems and wireless business units and a new finance team in the wireless business unit. Employee retention has been and may continue to be challenging and 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 can result in the loss of expertise and technical knowledge currently available to the Group. This could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The failure to retain or the 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, financial condition and prospects could be materially adversely affected as a result.

The Group relies upon its internal governance framework to ensure that its policies and procedures are properly implemented and any failure of this framework, either as a result of the ineffective development of an enhanced internal governance framework or the inability of the Group to manage its U.S. defence business as a result of the SSA, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's decentralised organisational structure delegates considerable operational autonomy and responsibility to its business units, including with respect to the negotiation and performance of the Group's

contracts with its customers. The Group requires its business units to maintain consistent policies, procedures, and controls in line with its corporate governance framework. These policies, procedures and controls are implemented by management, and adherence is overseen through a combination of operational reviews by senior management, self certification by business units twice a year and a risk based internal audit plan. The Group has previously experienced, and the Group may in the future experience, incidents of business unit managers or other employees not complying with the Group's policies and procedures or applicable legislation, which may not be immediately discovered by the Group. For example, the Group identified a number of issues with its financial and operational controls in the wireless business unit, which resulted in delayed shipments and a one-off charge in the year ended 31 December 2016. Furthermore, the Group's business units have considerable operational autonomy to enter into contracts with customers and, notwithstanding the Group's procedures, policies and controls, which are monitored through its corporate governance framework, such contracts may prove to be unprofitable or include disadvantageous terms for the Group. Any failure to maintain effective procedures, policies and controls could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group is in the process of developing an enhanced internal governance framework, following the identification and mitigation of certain control issues. There is a risk that the revised internal governance framework could misalign the level of constraint with the levels of risk appetite in different aspects of the Group's operations, leading to the over and under control of risks in different areas of the business, which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Cobham's U.S. defence business is managed through an SSA (see "*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 materially adversely impact the Group's business, results of operations, financial condition and prospects*"), the terms of which are agreed with the U.S. government. The SSA is intended to ensure that the U.S. defence business is not subject to the effects of FOCI. By its nature, the terms of the SSA reduces the ability for the Group to manage its U.S. defence business due to reduced visibility into the business, its performance and its control environment, which is managed separately from the Group's governance framework.

The board of the Advanced Electronic Solutions Sector (the **CAES Board**) consists of inside directors (the Company's chief executive officer and chief financial officer) (the **Inside Directors**), officer directors (the Advanced Electronic Solutions Sector chief executive officer and chief financial officer) (the **Officer Directors**) and non-executive directors approved by the U.S. Defence Security Service (the **DSS**) (the **Outside Directors**). The Officer Directors and Outside Directors are required to be U.S. nationals with appropriate U.S. DoD security clearances and together make up the government security committee (the **GSC**) of the CAES Board.

The SSA restricts the level of participation that the Inside Directors and the Company can have in certain Advanced Electronic Solutions Sector activities and certain decisions are restricted to the GSC. For example, it gives the GSC exclusive access to certain U.S. classified and controlled information as well as certain powers to ensure that FOCI does not affect the way that the Sector conducts its business. Due to the restrictions of the SSA, the Group's assessment of the control environment in the Sector differs from the assessments performed for the rest of the Group. In order to meet the requirements of the SSA and the DSS requirements, oversight is indirect and flows primarily through the Inside Directors. As a result of the foregoing, the Group is restricted in its ability to monitor the control environment for the Sector and, as a result, the Sector's internal control process may differ from those applied throughout the Group and may lead to control issues which, if elevated to the level of a control deficiency, could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group relies on third party manufacturers and key suppliers to conduct its operations and any failure on the part of these manufacturers or suppliers could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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, which may result, among other things, 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, financial condition and prospects.

The Group may be subject to product liability and other claims, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Significant fluctuations in the value of sterling against other currencies have had and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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. As a result, the Group's sterling-denominated financial statements and financial covenants 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 business, results of operations, financial condition and prospects.

On 23 June 2016, the United Kingdom held a referendum in which British citizens approved an exit from the European Union, commonly referred to as "Brexit". As a result of the referendum, there has been a decline in the value of sterling as compared to the U.S. dollar and the euro and volatility in exchange rates may continue as the United Kingdom negotiates its exit from the European Union.

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 business, results of operations, financial condition and prospects.

A rise in interest rates may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

As at 31 December 2016, interest was payable on approximately 33 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, results of operations, financial condition and prospects 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. New technologies may be untested or unproven, and certain products or activities 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.

The likelihood and/or the impact of certain 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 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, financial condition and prospects.

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 a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's operations involve the handling, transportation and disposal of hazardous materials. The Group's operations, therefore, 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.

Failure to properly handle such hazardous 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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects. 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 generally seeks to limit its 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 or that the Group's or its customers' insurance will cover 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 business, results of operations, financial condition and prospects. 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 business, results of operations, financial condition and prospects.

The Group may experience difficulties effecting divestments in a timely manner, may have limited capacity for acquisitions, may experience difficulties integrating acquired businesses and may not realise anticipated benefits or synergies, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group has made and may continue to make divestments, 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, which may be material.

The Group does not currently have capacity for acquisition activity, which may result in the Group not being in a position to compete for suitable value creating acquisition targets. This may result in a reduced ability to capitalise on time sensitive opportunities and effectively maintain a robust acquisition pipeline, which could result in a failure to meet strategic targets, as well as reputational damage which could affect the success of future acquisitions. In addition, the Group has historically made and may in the future make acquisitions. The Group may experience difficulties in integrating acquired businesses, and the anticipated benefits of such acquisitions may not be realised fully or may take longer to realise than expected. Since completion of the Aeroflex acquisition in 2014, the Company has focused on integrating the Aeroflex business into the Group. This integration process was largely completed as at 31 December 2016 and no incremental integration benefits are expected in 2017.

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

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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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, financial condition and prospects 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 markets 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. However, the Group may nevertheless be subject to litigation regarding the alleged use of a competitor's intellectual property, including patents, and could be subject to claims for damages or other legal remedies if the Group's products are found to infringe such intellectual property. To the extent that a competitor effectively uses its intellectual property portfolio to prevent the Group from selling products that allegedly infringe such competitor's products, the Group's business, results of operations, financial condition and prospects 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, financial condition and prospects.

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 business, results of operations, financial condition and prospects.

The Group relies on and is exposed to risks associated with its information technology systems, and any failure to successfully execute improvement programmes could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group relies on its information technology (IT) systems which are an integral part of its business. Failure to deploy standard IT services (for example, in business solutions, security and enterprise resource planning (ERP) systems) across the Group where appropriate or to successfully execute improvement programmes, 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.

While many of the required core components of the Group's ERP 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. As at 31 December 2016, the Group recorded additional amortisation of £6 million on amounts capitalised in prior years relating to the implementation of the ERP system, which is expected to be the annual charge for the next six years.

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 IT 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.

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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects and 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.

The United Kingdom's anticipated exit from the European Union could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

On 23 June 2016, the United Kingdom held a referendum in which British citizens approved an exit from the European Union, commonly referred to as "Brexit". The Group faces risks associated with Brexit. 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, Brexit could materially change the regulatory framework applicable to the Group's operations. In addition, Brexit could result in restrictions on the movement of capital and the mobility of personnel in addition to volatility in the sterling exchange rate against the U.S. dollar and the euro (see "*– Significant fluctuations in the value of sterling against other currencies could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.*"). Brexit is also expected to lead to short and medium term uncertainty in future trade arrangements between the Group's United Kingdom based businesses and the various end markets that they serve. Any of these risks could result in higher operating costs, higher debt and reduced income and could materially adversely affect the Group's business, results of operations, financial condition and prospects.

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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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, 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. For example, the availability of certain interest deductions on one of the Group's internal financing arrangements, principally as a result of various U.S. acquisitions, has been under challenge for some time. Over the life of this internal financing arrangement, the aggregate tax value of the interest deductions amounted to approximately £130 million. If decided adversely to the Group, this could lead to increased tax liabilities in excess of those provided in the Group's balance sheet, and result in a substantial tax payment becoming due. The Group has taken external advice and considers that it has strong support for its position. However, the timing and resolution of this issue is uncertain.

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, results of operations, financial condition and prospects.

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 actuarial deficits, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Company maintains a number of defined benefit pension schemes, with the largest being the Cobham Pension Plan in the United Kingdom, which are closed to new entrants. At 31 December 2016, 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 £87 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 and could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group expects to contribute £19 million to its defined benefit pension schemes in 2017 and £19 million in 2018. Thereafter the current schedules of contributions require £9 million of contributions each year through to 2022. Any change to the current level of employer contributions, if required, will not occur until after the next triennial of the Group's defined benefit pension schemes, which is expected to be completed during the second half of 2018.

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 4 May 2017, 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 Underwriters 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 19 April 2017. 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 Board has no current intention to pay a dividend in respect of financial year 2017 and the Company may not pay dividends in the future. 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 Board will not be recommending a final dividend in respect of financial year 2016. Furthermore, the Board will not recommend either an interim or a final dividend in respect of financial year 2017 and expects to resume dividend payments only when it is prudent to do so. 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	Michael Wareing (<i>Non-Executive Chairman</i>) David Lockwood (<i>Chief Executive Officer, Executive Director</i>) David Mellors (<i>Chief Financial Officer, Executive Director</i>) Jonathan Flint (<i>Senior Independent Non-Executive Director</i>) Alan Semple (<i>Independent Non-Executive Director</i>) Alison Wood (<i>Independent Non-Executive Director</i>) Michael Hagee (<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	
Joint Sponsors, Joint Bookrunners and Joint Underwriters	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
	J.P. Morgan Securities plc 25 Bank Street Canary Wharf London E14 5JP United Kingdom
Co-Bookrunner and Joint Underwriter	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB 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 Joint Sponsors, Joint Bookrunners, Co-Bookrunner 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

Announcement of the Rights Issue	28 March 2017
Publication and posting of the Prospectus, the Notice of General Meeting and the Form of Proxy	28 March 2017
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 12 April 2017
Record Date for entitlement under the Rights Issue	close of business on 12 April 2017
General Meeting	10.00 a.m. on 18 April 2017
Dispatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) ¹	18 April 2017
Ex entitlement date for the Rights Issue	8.00 a.m. on 19 April 2017
Admission and commencement of dealings in New Ordinary Shares, nil paid, on the London Stock Exchange	8.00 a.m. on 19 April 2017
Stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on 19 April 2017
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 19 April 2017
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 27 April 2017
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 28 April 2017
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 2 May 2017
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 4 May 2017
Results of Rights Issue to be announced through a Regulatory Information Service	by 8.00 a.m. on 5 May 2017
Commencement of dealings in New Ordinary Shares fully paid on the London Stock Exchange	8.00 a.m. on 5 May 2017
New Ordinary Shares credited to CREST accounts (for Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on 5 May 2017
Dispatch of definitive share certificates for New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only)	by no later than 12 May 2017

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	75 pence
Basis of Rights Issue	2 New Ordinary Shares for every 5 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at the Latest Practicable Date ⁽¹⁾	1,707,863,851
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue ⁽²⁾	683,145,540
Number of Ordinary Shares in issue immediately following the completion of the Rights Issue ⁽¹⁾⁽²⁾	2,391,009,391
New Ordinary Shares as a percentage of the enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽²⁾ . . .	28.6 per cent.
Estimated gross proceeds of the Rights Issue	£512.4 million
Estimated net proceeds of the Rights Issue receivable by the Company, after deduction of estimated fees and expenses of the Rights Issue	approximately £496.6 million

Notes:

- (1) Excluding the 75,951,724 Ordinary Shares held in treasury.
(2) 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, BofA Merrill Lynch, J.P. Morgan Cazenove or Barclays. 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 BofA Merrill Lynch, J.P. Morgan Cazenove or Barclays 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 BofA Merrill Lynch, J.P. Morgan Cazenove, Barclays, 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, completeness or verification, 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 BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays 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 this Prospectus (see Part VI: "*Information Incorporated by Reference*").

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 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 that were marked as provisional in the 2014 Annual Report and Accounts. A detailed review of these amounts resulted in adjustments which reduced net assets acquired by £46 million, with an equal increase in goodwill.

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 XV: "*Unaudited Pro Forma Financial Information of the Cobham Group*" of this Prospectus. The unaudited pro forma financial information contained in Part XV: "*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 31 December 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, underlying operating profit (previously called trading profit), underlying operating margin (previously called trading margin), underlying earnings per share (**EPS**), operating cash conversion, return on invested capital, Private Venture (**PV**) investment, on-time delivery and staff safety (major accident incident rate). There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. For further information on this non-IFRS financial information, including reconciliations, as applicable, to the Group's consolidated financial information, please see Part XIV: "*Operating and Financial Review of the Cobham Group – Key performance indicators and other operating metrics*".

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 **Australian dollars 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 2012, 2013, 2014, 2015 and 2016 and for each full month in 2017 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>			
	<i>Period End</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
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
2016	1.2345	1.3554	1.4810	1.2158
Month in 2017				
January	1.2570	1.2348	1.2607	1.2068
February	1.2417	1.2490	1.2636	1.2417
March (up to the Latest Practicable Date)	1.2496	1.2303	1.2515	1.2153
<u>Year ended 31 December</u>	<i>Euro</i>			
	<i>Period End</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
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
2016	1.1705	1.2243	1.3645	1.0983
Month in 2017				
January	1.1656	1.1616	1.1782	1.1381
February	1.1705	1.1739	1.1873	1.1603
March (up to the Latest Practicable Date)	1.1563	1.1539	1.1674	1.1397
<u>Year ended 31 December</u>	<i>Australian dollar</i>			
	<i>Period End</i>	<i>Average</i>	<i>High</i>	<i>Low</i>
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
2016	1.7106	1.8245	2.0860	1.5897
Month in 2017				
January	1.6604	1.6561	1.7097	1.6135
February	1.6172	1.6295	1.6706	1.6172
March (up to the Latest Practicable Date)	1.6382	1.6153	1.6392	1.5969

<u>Year ended 31 December</u>	<i>Danish krone</i>			
	<u>Period End</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
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
2016	8.7032	9.1153	10.1797	8.1726
 <i>Month in 2017</i>				
January	8.6675	8.6373	8.7620	8.4634
February	8.7012	8.7277	8.8249	8.6294
March (up to the Latest Practicable Date)	8.6006	8.5786	8.6778	8.4728

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 Underwriters undertakes any obligation to update such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules or the Market Abuse Regulation. 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 XVI: “*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 nor the accompanying documents (including any Provisional Allotment Letters if and when received) 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 nor the accompanying documents (including any Provisional Allotment Letters if and when received) 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 United Kingdom, 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 United Kingdom. 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 United Kingdom against the Directors or executive officers who are residents of the United Kingdom 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 United Kingdom 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 BofA Merrill Lynch, J.P. Morgan Cazenove or Barclays 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 size, growth rates, the Group's market share or market position, and other industry data pertaining to the Group, its business or the markets in which it operates or which it targets, which are not attributed to independent sources, consist of Directors' estimates based on data compiled by professional organisations, on data from other external sources and on data from internal information currently available to the Group. In determining such sources to be reliable, and in determining the basis for the statements presented in this prospectus as statements of belief, the Directors have also relied upon their own estimates, assumptions and judgments in respect of the conclusions drawn by such sources. 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 hyperlinked 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 XVII: "*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 XVI: “*Additional Information*” of this Prospectus, contain information about the Group which is relevant to this Prospectus:

- 2016 Annual Report and Accounts;
- 2015 Annual Report and Accounts; and
- 2014 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.

<i>Reference document</i>	<i>Information incorporated by reference in this Prospectus</i>	<i>Page number(s) in reference document</i>
As at and for the year ended 31 December 2016		
2016 Annual Report and Accounts	Independent Auditor’s report to the members of Cobham plc	82-86
	Consolidated income statement	88
	Consolidated statement of comprehensive income	88
	Consolidated balance sheet	89
	Consolidated statement of changes in equity	90
	Consolidated cash flow statement	91
	Notes to the Group financial statements	92-131
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
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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 2BT
England

Directors

Michael Wareing	<i>(Non-Executive Chairman)</i>
David Lockwood	<i>(Chief Executive Officer, Executive Director)</i>
David Mellors	<i>(Chief Financial Officer, Executive Director)</i>
Jonathan Flint	<i>(Senior Independent Non-Executive Director)</i>
Alan Semple	<i>(Independent Non-Executive Director)</i>
Alison Wood	<i>(Independent Non-Executive Director)</i>
Michael Hagee	<i>(Independent Non-Executive Director)</i>
Birgit Nørgaard	<i>(Independent Non-Executive Director)</i>

28 March 2017

Dear Shareholder

2 for 5 Rights Issue at 75 pence per New Ordinary Share and Notice of General Meeting

1. Introduction

On 2 March 2017, Cobham announced that it intended to conduct a rights issue to raise approximately £500 million in gross proceeds, which was fully underwritten on a standby basis. The Board has confirmed today that it intends to raise approximately £512 million in gross proceeds by way of a fully underwritten rights issue.

The purpose of this document is to explain the background to and reasons for the Rights Issue as well as to set out the terms and conditions of the Rights Issue, and contains a notice convening a General Meeting to consider and, if thought fit, pass the Resolutions required to authorise Cobham to carry out the Rights Issue.

This document also explains why the Board considers that the Resolutions are in the best interests of Shareholders as a whole and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions. The Rights Issue is fully underwritten by BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays, subject to the terms of the Underwriting Agreement.

2. Background to the Rights Issue

Cobham has many issues which require attention to reverse the Group's negative performance trajectory. During 2016, there were a succession of performance issues in a number of Cobham businesses. These stemmed from weaknesses in management and financial controls, contractual and commercial failures and, in a few businesses, more challenging market conditions.

In September 2014, Cobham acquired Aeroflex for approximately US\$1.5 billion, funded by a combination of new debt facilities and equity, with an intention at the time to achieve a ratio of net debt/EBITDA (leverage ratio) of approximately 2.5x on completion. There was a target to deleverage to a ratio of net debt/EBITDA of approximately 2.1x by 31 December 2015.

The Group's leverage ratio did not reduce as expected and, by 31 December 2015, it had reached a ratio of net debt/EBITDA of 2.9x. This was due to a combination of factors, including operational issues in the Group's wireless and integrated electronic solutions businesses, market headwinds in maritime SATCOM and

commercial fly-in, fly-out aviation services for natural resources customers in Australia, ongoing investment in development programmes and a weakening in sterling against the U.S. dollar (in which the majority of the Group's gross debt was denominated).

In an effort to lower the Group's debt and reduce the leverage ratio, Cobham carried out a 1 for 2 Rights Issue in June 2016 (the **2016 Rights Issue**), raising net proceeds of £491 million.

The Group's trading performance continued to deteriorate through the third quarter of 2016 and, in a trading update on 24 October 2016, the Board announced that it anticipated full year 2016 underlying operating profit would be lower than expected, driven by continued underperformance in the wireless, SATCOM and integrated electronic solutions businesses.

On 12 December 2016, David Lockwood joined Cobham. He replaced Bob Murphy as Chief Executive Officer on 14 December 2016. On 1 January 2017, I, Michael Wareing, replaced John Devaney as Chairman and David Mellors replaced Simon Nicholls as Chief Financial Officer. Jonathan Flint took over my previous role of Senior Independent Director on the same date.

On 11 January 2017, the Group provided a post-close trading update in which Group underlying operating profit in the unaudited draft management accounts for the year ended 31 December 2016 was £245 million; below the guidance given on 24 October 2016. At the time, the new management team was commencing a thorough balance sheet review, including a review of major contracts and asset carrying values. The underlying operating profit of £245 million was stated before any year-end close adjustments from the review and, in particular, it was stated that there was significant uncertainty surrounding the outcome of the KC-46 aircraft tanker programme, where Cobham remained in discussions with The Boeing Company (**Boeing**) on the commercial terms of the contract.

On 16 February 2017, Cobham announced an update on the KC-46 contract discussions along with revised expected outcomes for the Group's 2016 results, which were impacted by the findings of the balance sheet review, and guidance for 2017. As described in Part II: "*Risk Factors – Risks relating to the business of the Group – 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 the Group's business, results of operations, financial condition and prospects,*" the Group's future profitability and cashflows are partially dependent on the achievement of contractual milestones and delivery schedules associated with its development contracts. Expected underlying operating profit of £225 million for 2016 was announced along with a statement that strengthening the balance sheet was desirable to support the operations of the Group, given the important role it plays in many customer programmes.

The Group's 2016 preliminary results, announced on 2 March 2017, confirmed the Group's underlying operating profit was £225 million for 2016 (2015: £332 million). The Group reported a £574 million non-cash impairment of goodwill and other intangible assets; a charge of £179 million against certain contracts, £150 million of which was related to the KC-46 contract; a charge of £33 million taken against other assets in the balance sheet; and £24 million of charges to cover the estimated exposure on a number of legal, environmental, warranty and other regulatory matters across the Group.

It was further stated that change projects and initiatives driven from the centre had diverted focus from improving critical production, operational and contract performance. These change projects and initiatives consumed significant financial resources and management energy over a number of years with disappointing outcomes.

The Group's reporting structures, including its internal processes and the allocation of responsibilities, had also become overly complex and unclear. In a number of instances, this led to duplication, reduced accountability and slow decision making, which contributed to sustained operational and financial challenges. This situation ultimately impacted employee motivation and morale, evidenced by Cobham's high voluntary staff turnover.

Furthermore, with hindsight, Cobham may have misread the cycles within its markets and within its businesses, making poorly timed acquisitions or integrating them poorly. These acquisitions appear to have amplified internal weaknesses, rather than compensated for them.

3. Reasons for the Rights Issue

The 2016 Rights Issue was intended to lower the Group's net debt and reduce the ratio of net debt/EBITDA towards its target of below 2x. After receipt of the £491 million in net proceeds from the 2016 Rights Issue, at

30 June 2016, the net debt/EBITDA ratio had fallen to 2.3x but, by 31 December 2016, the Group's net debt was £1,028 million, a reduction of £179 million from net debt of £1,207 million at 31 December 2015. The reduction in net debt was below the Board's expectations at the time of the 2016 Rights Issue largely due to lower than expected underlying EBITDA and free cash flow generation in the year. There were also adverse exchange rate movements of £236 million, primarily arising on translation of the Group's non-sterling denominated debt driven by a weakening of sterling against the U.S. dollar. As a result of the lower than expected reduction in net debt and the Group's lower than expected profitability and cash generation, the Group's net debt/EBITDA ratio as at 31 December 2016 for covenant purposes was 3.0x.

The Group's current balance sheet is not strong enough to support the operations of the Group, given the important role it plays in many customer programmes. A stronger balance sheet will underpin the confidence of our customers and other stakeholders, supporting our medium term growth aspirations, for the benefit of our shareholders.

The Group is targeting a net debt/EBITDA ratio of approximately 1.5x. This should be an appropriate capital structure given the requirement for balance sheet strength. Progress towards this target needs to be accelerated to give our customers, suppliers and employees confidence in our financial position. Accordingly, the Directors believe that the successful completion of the Rights Issue is in the best interest of the Group. Assuming the Rights Issue proceeds as planned, the Group expects to have considerable financial resources with liquidity available on the balance sheet from its cash resources and it has a spread of maturities on its Existing Facilities.

Before deciding to pursue the Rights Issue, and in addition to suspending the Group dividend, the Board considered, but determined that it was not in the best interest of the Group to pursue, other options and combinations of options regarding the Group's balance sheet. These included the possibility of seeking amendments to the Group's covenants under the terms of its financing documents (with or without undertaking an equity capital raising). These also included a smaller equity placing of shares and possible asset disposals. However, having considered these options, and the cash required to complete ongoing development programmes and strengthen the balance sheet position, the Board has concluded that it is in the Group's best interests to raise approximately £512 million by way of a fully underwritten Rights Issue. If the Rights Issue does not occur, and the Group anticipates that a covenant breach would be likely to occur, the Group expects that it would approach its lenders to seek to renegotiate the terms of its financing documents and to secure amendments from them. There can be no certainty that the Company would be able to secure such an amendment on acceptable terms or at all. In these circumstances, if the Group's net debt/EBITDA should exceed 3.5x, the Group's lenders would have the right to demand accelerated repayment of substantially all of the Group's outstanding financial indebtedness (approximately £1,264 million as at 31 December 2016). The Board believes that it is unlikely that the Rights Issue will not occur but the consequences of not being successful indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. As a result, the auditor's opinion on the consolidated financial statements included in the 2016 Annual Report and Accounts includes an emphasis of matter statement in respect of going concern.

4. Priorities for 2017 and looking ahead

Cobham has a wide range of strategic, operational and cultural weaknesses that need addressing. In conjunction with strengthening the Group's balance sheet by completing the Rights Issue it has set the following priorities for 2017:

- ***Control and execution***

Cobham needs to deliver consistently to its customers' and shareholders' expectations, recognising it has not always done so. It is in the early stages of enhancing Cobham's management controls and operational and financial discipline to address this, understanding that a strong operational performance and financial control are key pillars of improvement for Cobham.

- ***Customer focus***

It is vital that Cobham brings additional focus to its customer relationships. This starts with the CEO, and then must be reflected throughout Cobham's businesses. It will allocate an appropriate level of resource and contact to each customer and prioritise winning and retaining key platform and programme positions.

In 2016, Cobham spent approximately £130 million on PV research and development (R&D), being Company funded R&D. This was matched by a broadly similar amount funded by customers. This

investment provides a powerful platform on which it can develop world-class technologies to use across multiple markets with significant commercial advantages. In the past this substantial programme of technology investment has not always yielded the expected returns. It will be looking at ways of focusing this R&D spend to generate maximum shareholder value.

- ***Leadership and simplification***

Cobham will reduce complexity and duplication in the business by simplifying systems, processes and reporting. With this goal in mind, a review has commenced of the breadth and shape of Cobham's business portfolio. By aligning this reduction in complexity with strong and visible leadership, a sense of momentum and clear purpose among Cobham's management and employees will be built. It is expected this will also improve accountability and enhance the speed and quality of decision making.

While the Board has already undergone significant change during recent months, I intend to effect a rolling programme of material Board changes over the next two years. Furthermore, the Board considers that the new Chief Executive Officer and the new Chief Financial Officer should have an incentive interest in the Company's Shares at the earliest practicable opportunity to ensure that their interests are aligned with that of the Company's Shareholders and to retain and motivate them to implement the improvement strategy for the Group.

Despite the current challenges facing Cobham, the Group has a portfolio of businesses with differentiated technologies and know-how and it has leading positions in attractive markets serving a blue-chip customer base. These offer good opportunities over the medium term and the Board is determined to lead the Group to better execution, which is expected to deliver improved performance and help the Group to realise its potential to create value for its Shareholders.

5. Use of proceeds

The Rights Issue is expected to raise approximately £512 million in gross proceeds. The Board currently intends to use the net proceeds of the Rights Issue to pay down borrowings under the Group's Existing Facilities when they mature. The Group has forward purchased £485 million worth of U.S. dollars with the intention of aligning the currency mix of net debt more closely with the currency mix of the Group's profits, thereby reducing foreign exchange exposure on the Group's net debt/EBITDA ratio.

The Board does not currently intend to pay down the Group's outstanding U.S. Private Placement Notes prior to maturity where such prepayment would incur make-whole charges.

6. Financial impact of the Rights Issue

The net proceeds of the Rights Issue are expected to decrease the Group's net debt by £497 million.

We draw attention to Part XV: "*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 on the Group's net assets as at 31 December 2016 as if the Rights Issue had been undertaken at that date.

7. Principal terms of the Rights Issue and underwriting commitments

Cobham is proposing to raise approximately £497 million (net of estimated fees and expenses) by way of the Rights Issue of 683,145,540 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 XVI: "*Additional Information*" of this Prospectus. The Rights Issue Price of 75 pence per New Ordinary Share, which is payable in full on acceptance by no later than 11.00 a.m. on 4 May 2017, represents a 40.9 per cent. discount to the Closing Price of 126.8 pence per Existing Ordinary Share on 27 March 2017, the last Dealing Day (as defined herein) prior to the date of this Prospectus, and a 33.0 per cent. discount to the theoretical ex-rights price of 112.0 pence per New Ordinary Share calculated by reference to the Closing Price on the same basis. If a Qualifying Shareholder does not take up any of his or her entitlement to New Ordinary Shares, his or her proportionate shareholding will be diluted by 28.6 per cent. However, if a Qualifying Shareholder takes up his or her New Ordinary Shares in full, he or she 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 or she had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Ordinary Shares to which he or she is entitled, such Shareholder can instead sell his or her 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 19 April 2017.

Subject to the fulfilment of, among other things, the conditions set out below, Cobham will offer 683,145,540 New Ordinary Shares to Qualifying Shareholders at a Rights Issue Price of 75 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

2 New Ordinary Shares for every 5 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 Underwriters 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:

- the passing of the Resolutions (without any material amendment) at the General Meeting;
- Admission of the New Ordinary Shares (nil paid) becoming effective by not later than 8.00 a.m. on the first Dealing Day after the General Meeting (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 29 June 2017);
- Cobham having complied with its obligations under the Underwriting Agreement, including the delivery of certain documents to the Joint Sponsors 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);
- the warranties on the part of Cobham under the Underwriting Agreement being true, accurate and not misleading in any respect on and as of the date of the Underwriting Agreement and immediately before Admission;
- no event 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 (whether or not foreseeable at the date of the Underwriting Agreement).

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 5 May 2017.

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 19 April 2017.

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 GB00BDH3DQ90 and the ISIN for the Fully Paid Rights is GB00BDH3GF90.

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.

8. Information relating to Cobham

The Group is an international technology and services business, employing 10,692 people as at 31 December 2016, primarily in the United States, the United Kingdom, continental Europe and Australia. It has customers and partners in more than 100 countries. The Group offers products and services to solve challenging problems across defence, security, aerospace and other commercial markets. It has leading market positions in: defence electronics; air-to-air refuelling; aviation services; life support and mission equipment; and wireless, audio, video and data communications, including satellite communications. The Group operates in four Sectors:

- *Mission Systems* – provides safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting systems for extreme environments, aerial refuelling systems, weapons carriage and release systems and missile control actuation sub-systems for fast jets, transport aircraft and rotorcraft;
- *Advanced Electronic Solutions* – 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 encompasses defence, including missile, radar and electronic warfare, X-ray imaging, medical and industrial markets;
- *Communications and Connectivity* – 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; and
- *Aviation Services* – delivers outsourced aviation services for military, government 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 primarily out of manufacturing locations principally 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 United Kingdom and elsewhere in the world.

For the year ended 31 December 2016, the Group reported underlying operating profit of £225 million (2015: £332 million; 2014: £287 million) on revenue of £1,944 million (2015: £2,072 million; 2014: £1,852 million).

The Directors intend to review the Group’s strategy and the breadth and shape of its business portfolio in 2017. The Directors believe that Cobham has diversified from its core capabilities, which has led to a lack of focus. This review is expected to align each of the Group’s strong technology and service positions to create a more focused Group, which is expected to enable it to improve on its delivery and performance.

During 2016, the Group pursued five strategic actions: 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 align product investment to customer demand and win new customers; to allocate capital to achieve sustainable value creation through focus on growing markets; and to enhance skills and capabilities within the Group’s businesses, to create long-term competitive advantage.

9. 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.

10. Current trading and prospects

Whilst market uncertainties undoubtedly exist, the ability of the Group to forecast performance is not as strong as it should be and these factors lead to our early view for 2017 having a wide range of potential outcomes. Moreover, although (as mentioned above) the Group is in the early stages of enhancing operational and financial discipline, in recent years a significant proportion of the Group's results have been dependent on performance in June and December. This not only makes it hard to predict, putting the Group's results at risk of slippage and with lower profitability, but is also inefficient for working capital management.

The Group has many operational issues which require attention in addition to arresting and reversing the negative performance trajectory. Some actions to address these have already commenced but are at an early stage. Some actions may also have associated costs. Given these and the issues highlighted above, the Board considers that delivery in 2017 of a performance similar to that of 2016 may be challenging.

However, the Group has leading positions in attractive markets with significant barriers to entry, participation in long-term programmes, a blue-chip customer base and differentiated technologies and know-how. Given these characteristics, the Board believes that over the medium term the Group will return to positive organic growth and improved profitability with increased conversion of profits into cash.

11. Employee share plans

The number of Ordinary Shares subject to awards or options outstanding under the Share Schemes (as defined herein) 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.

12. Dividend policy

As previously announced on 11 January 2017, the Board will not be recommending a final dividend in respect of financial year 2016. Furthermore, as announced on 2 March 2017, the Board will not recommend either an interim or a final dividend in respect of financial year 2017 and it expects to resume dividend payments when it is prudent to do so. This decision, and the level of payment, will take into account a number of factors, including the Group's underlying earnings, cash flows and gearing, its investment needs and the requirement to maintain an appropriate level of dividend cover.

13. General Meeting

You will find at the end of this Prospectus a notice convening the General Meeting of Cobham to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 10.00 a.m. on 18 April 2017. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions. A summary and explanation of the Resolutions is set out below, but please note that this does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions in the Notice of General Meeting at the end of this Prospectus.

14. Resolutions

The first resolution, to provide the Directors with the necessary power and authority to allot sufficient Ordinary Shares to undertake the Rights Issue, and to expire at close of business on 31 December 2017, is to be proposed at the General Meeting as an ordinary resolution. This resolution will pass if more than 50 per cent. of the votes cast (either in person or by proxy) are in favour.

The second resolution, to provide the Directors with the necessary power and authority to allot Ordinary Shares in connection with the Rights Issue as if Section 561 of the Companies Act did not apply to such allotment, and to expire at close of business on 31 December 2017, is to be proposed at the General Meeting as a special resolution. This resolution will pass, subject to the first resolution being passed, if more than 75 per cent. of the votes cast (either in person or by proxy) are in favour.

15. 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 or her 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 certificated Shareholders will be sent a cheque and such CREST Shareholders will be credited 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 or her 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.

16. Taxation

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

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

17. Actions to be taken in respect of the General Meeting

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it so as to be received by the Registrar, Equiniti, at the return address on the enclosed Form of Proxy, as soon as possible, and in any event no later than 10.00 a.m. on 12 April 2017.

If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the notice convening the General Meeting at the end of this Prospectus on page 199. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

18. Action to be taken in respect of the Rights Issue

Subject to the passing of the Resolutions, 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, in the United States, you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights. If you are a Qualifying CREST Shareholder, you will not be 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 19 April 2017. 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 19 April 2017, please sign Form X of the Provisional Allotment Letter, as and when received, and forward this document and the Provisional Allotment Letter, as and when received, 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 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 4 May 2017, 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 (as applicable), in one of the Excluded Territories or, subject to certain exceptions, in 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 12 May 2017 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 as soon as practicable after 8.00 a.m. on 5 May 2017.

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.

19. Further information

Your attention is drawn to the risk factors in Part II: “*Risk Factors*” and the additional information set out in Part XVI: “*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.

20. Importance of vote

Both of the Resolutions must be passed by Shareholders at the General Meeting in order for the Rights Issue to proceed. The Rights Issue will significantly strengthen the Group’s balance sheet and the Directors believe that a stronger balance sheet will underpin the confidence of its customers and other stakeholders, supporting our medium term growth aspirations, for the benefit of our shareholders.

If, for any reason, either of the Resolutions is not passed, or any other condition to the Rights Issue is not fulfilled (as to which see paragraph 1 of Part IX: “*Terms and Conditions of the Rights Issue*” of this Prospectus), the Rights Issue will not proceed and the Company will not receive the net proceeds of the Rights Issue. The Group has concluded that, under a reasonable base case scenario, it would not breach the covenants in its financing

documents as at the next covenant test date (with respect to the 12 months ending on 30 June 2017) or subsequent semi-annual covenant test dates even if the Rights Issue does not proceed. However, under a reasonable worst case scenario, if the risks assumed in the reasonable worst case scenario were to come to pass and no other actions were taken by the Group (such as the reduction of discretionary capital and development expenditures or disposal of assets), it is expected that the Group would breach its covenants as at the next covenant test date on 30 June 2017 (with respect to the 12 months ending on 30 June 2017). Without further action on the Group's part to obtain amendments from its lenders, they would have the right to demand accelerated repayment of substantially all of the Group's outstanding financial indebtedness (approximately £1,264 million as at 31 December 2016). The date on which such a demand could be made would be no later than 28 October 2017, being the date by which the Group is required to deliver its interim financial information to its lenders for the purposes of testing the covenants. If such a demand were to be made, and without further action on the Group's part to obtain amendments from its lenders, the Group does not expect that it would have the funds immediately available to repay such amounts at that time, in which case Shareholders could lose all or part of the value of their investment in the Company. Therefore, whilst the Company is of the opinion that, if the Rights Issue proceeds and after taking into account the net proceeds of the Rights Issue and the Existing Facilities, the Group has sufficient working capital for its present requirements, there is a risk under a reasonable worst case scenario that this might not be the case if the Rights Issue does not proceed.

As a result, if the Group anticipates that a covenant breach would be likely to occur, the Group expects that it would approach its lenders to seek to renegotiate the terms of its financing documents and to secure amendments from them. However, on the basis that under a reasonable base case scenario there would be no covenant breach, the Group has not approached its lenders and, therefore, there can be no assurance that the Group will be able to obtain such amendments to the Group's financing documents at all or without significant cost to the Group in the form of additional fees payable, including make-whole payments for refinanced indebtedness, amendment fees, increased interest payments or additional restrictions on its business. Following any such amendment (depending on the terms of such amendment), without the proceeds of the Rights Issue and if the risks assumed in the reasonable worst case scenario were to come to pass, the Group may nevertheless breach its covenants as at the next subsequent covenant test date on 31 December 2017. Further, as a result of any such amendments, the Group may find it more challenging to refinance its Existing Facilities as they fall due. In addition, the Group may also seek to reduce discretionary capital and development expenditures and/or dispose of certain assets so as to prevent a covenant breach. There can be no assurance that the Group will be able to reduce capital expenditures at all or before the covenant test date or that the Group will be able to find buyers for such assets by then. The Group does not anticipate completing any disposals prior to the next covenant test date on 30 June 2017.

There can be no assurance that a reasonable worst case scenario will be avoided and, if it is not, that the alternative actions outlined above would be capable of implementation in the time available and/or would ultimately be successful and, accordingly, the Directors believe that the successful completion of the Rights Issue is in the best interest of the Group.

As such, Shareholders are asked to vote in favour of the Resolutions at the General Meeting so that, assuming that the other conditions to the Rights Issue are satisfied, the Rights Issue can proceed.

21. Board recommendation

The Board believes the Rights Issue will promote the success of Cobham and is in the best interests of its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting to approve the Rights Issue, as the Directors each intend to do so in respect of their own legal and beneficial holdings, amounting to 67,500 Existing Ordinary Shares (representing approximately 0.00395 per cent. of Cobham's existing issued ordinary share capital as at 24 March 2017 (being the Latest Practicable Date).

The Directors intend to take up in full the New Ordinary Shares to which he or she is entitled under the Rights Issue. In addition, the Directors may decide to acquire additional rights to New Ordinary Shares in the Rights Issue.

Yours faithfully

Michael Wareing
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 19 April 2017, 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 19 April 2017.

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 XVI: “*Additional Information*” of this Prospectus.

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

At the General Meeting to be held on 18 April 2017, Shareholders will be asked to consider and vote on an ordinary resolution to provide the Directors with the necessary power and authority to allot sufficient Ordinary Shares to undertake the Rights Issue, such authority to apply until 31 December 2017. This resolution will pass if more than 50 per cent. of the votes cast (either in person or by proxy) are in favour.

In addition, Shareholders will be asked to consider and vote on a special resolution to provide the Directors with the necessary power and authority to allot Ordinary Shares in connection with the Rights Issue as if Section 561 of the Companies Act did not apply to such allotment, such authority to apply until 31 December 2017. This resolution will pass, subject to the first resolution being passed, if more than 75 per cent. of the votes cast (either in person or by proxy) are in favour.

Subject to the Resolutions being passed by the requisite majorities of Shareholders, the New Ordinary Shares will be allotted and issued pursuant to the authorities granted in 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 28.6 per cent. of their interests in Cobham.

8. Taxation

Please see paragraph 15 of Part XVI: “*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 approximately £512 million by way of a 2 for 5 Rights Issue at a price of 75 pence per New Ordinary Share.

The Rights Issue Price of 75 pence per New Ordinary Share represents a discount of approximately 40.9 per cent. to the Closing Price of an Existing Ordinary Share of 126.8 pence on 27 March 2017 (being the last Dealing Day prior to the date of this Prospectus) and an approximately 33.0 per cent. discount to the theoretical ex-rights price of 112.0 pence per New Ordinary Share calculated by reference to that Closing Price.

Of the expected approximately £497 million of net proceeds from the Rights Issue, the Board currently intends to pay down borrowings under the Group's Existing Facilities when they mature.

The Joint Underwriters have agreed to underwrite fully, severally and in their Relevant Proportions, the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Joint Underwriters' obligations under the Underwriting Agreement are conditional (although, with certain exceptions, these conditions can be waived) upon, among other things:

- the passing of the Resolutions (without any material amendment) at the General Meeting;
- Admission becoming effective by not later than 8.00 a.m. on the first Dealing Day after the General Meeting (or such later time and/or date as the parties to the Underwriting Agreement may agree, being not later than 29 June 2017);
- 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 Joint Sponsors 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 in any respect on and as of the date of the Underwriting Agreement and immediately before Admission;
- no event 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 Underwriters (acting in good faith), no material adverse change having occurred in respect of Cobham prior to Admission (whether or not foreseeable at the date of the Underwriting Agreement).

The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Joint Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares which they would otherwise be required to subscribe for.

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 will be offered by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the Excluded Territories) on the following basis:

2 New Ordinary Shares at 75 pence for every 5 Existing Ordinary Shares

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

Qualifying Shareholders who do not, or who are not permitted to, take up any rights (for example because they are Qualifying Shareholders with a registered address in the Excluded Territories) will have their proportionate shareholdings in Cobham diluted by approximately 28.6 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.

Subject to the Resolutions being passed with the requisite majorities at the General Meeting, the New Ordinary Shares will be issued pursuant to the authority granted under the Resolutions. 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 receive all future dividends or other distributions made, paid or declared by reference to a record date 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 19 April 2017.

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) Provisional Allotment Letters in respect of the Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying Non-CREST Shareholders with registered addresses in any of the Excluded Territories) following the General Meeting on 18 April 2017;
- (b) 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 19 April 2017;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement in CREST by Euroclear on 19 April 2017, as soon as practicable after Cobham has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (d) 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 5 May 2017; and
- (e) 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 12 May 2017 (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 any 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 Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares for which the Joint Underwriters 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 of Part XVI: “*Additional Information*” of this Prospectus.

The Joint Underwriters 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). None of the Joint Underwriters 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 Underwriters and their affiliates may enter into certain financing arrangements (including swaps or contracts for difference) with investors in connection with which such Joint Underwriters (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

If the Rights Issue is delayed so that the Provisional Allotment Letters cannot be despatched on 18 April 2017, Part IV: “*Expected Timetable of Principal Events and Rights Issue Statistics*” in this Prospectus will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letter and announced through a Regulatory Information Service, in which case all references in this Part IX should be read as being subject to that adjustment.

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 8-13 (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 paragraphs 5, 6 and 8-13 (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 Form of Proxy or 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 6536 from within the United Kingdom or +44 (0)121 415 0286 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

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain limited exceptions, Qualifying Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories) on 18 April 2017. Each Provisional Allotment Letter will set 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 will commence at 8.00 a.m. on 19 April 2017, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 4 May 2017.

If the Provisional Allotment Letters are not despatched on 18 April 2017 or 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 4 May 2017. A reply-paid envelope will be 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 4 May 2017, the Company has made arrangements under which the Joint Underwriters 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 4 May 2017, the provisional allotment will be deemed to have been declined and will lapse. However, Cobham and the Joint Underwriters 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 4 May 2017 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 Underwriters, 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 of this Part IX 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 has 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 Underwriters 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 Underwriters 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 (ii) 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 6536 or +44 121 415 0286 if calling from overseas. 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 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 19 April 2017. A transfer of Nil Paid Rights can be made (in the case of Qualifying Non-CREST Shareholders) by renunciation of the relevant 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 expected to be 11.00 a.m. on 4 May 2017.

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 4 May 2017. 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 5 May 2017.

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 2 May 2017 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 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 4 May 2017 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 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 2 May 2017, 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 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 Form X 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 will appear in 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 3.00 p.m. on 4 May 2017, 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 12 May 2017.

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 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 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 4 May 2017. 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 of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number, 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 of this Part IX 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 in 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 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 4 May 2017. 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 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 4 May 2017) is 3.00 p.m. on 28 April 2017.

When Form X and the CREST Deposit Form 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 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 12 May 2017 (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 in 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 Registrar.

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 19 April 2017. 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 2RA05;
- (v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA255401;
- (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 11.00 a.m. on 4 May 2017);
- (ix) the Nil Paid Rights ISIN which is GB00BDH3DQ90;
- (x) the Fully Paid Rights ISIN which is GB00BDH3GF90;
- (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 4 May 2017; or
- (ii) at the discretion of Cobham: (A) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 4 May 2017; (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 4 May 2017; and (C) the relevant MTM Instruction settles by 2.00 p.m. on 4 May 2017 (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 4 May 2017 and remains capable of settlement at all times after that until 2.00 p.m. on 4 May 2017 (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 4 May 2017 and at all times thereafter until 2.00 p.m. on 4 May 2017 (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 Underwriters 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 4 May 2017. 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 Underwriters 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 Underwriters 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 4 May 2017 (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 Underwriters 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 or 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 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 19 April 2017. 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 4 May 2017.

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 4 May 2017. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 4 May 2017.

After 5 May 2017, 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 27 April 2017, 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 4 May 2017. 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 4 May 2017 (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 5 May 2017).

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 4 May 2017 in accordance with the procedure laid down for acceptances and payment, then the Joint Underwriters will use reasonable endeavours to procure, by not later than 4.30 p.m. on 8 May 2017, 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 Underwriters 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 Underwriters 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 in 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 Underwriters 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, Qualifying 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 6536 (from inside the United Kingdom) or +44 (0)121 415 0286 (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 Qualifying 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 Underwriters 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 Underwriters) 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 Underwriters) 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 Qualifying 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 Qualifying 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 Qualifying Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Joint Underwriters 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 Underwriters 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 Underwriters 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 Underwriters 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 Underwriters 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 Underwriters and their affiliates will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Cobham and the Joint Underwriters reserve the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to Cobham and the Joint Underwriters 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 Underwriters 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 Underwriters will endeavour to procure, on behalf of such non-exercising holders, subscribers for the New Ordinary Shares.

7.4 Australia

This Prospectus and the Rights Issue is only made available in Australia to persons to whom a “disclosure document” is not required to be given under Chapter 6D of the Corporations Act 2001 (Ch) of Australia (the **Corporations Act**). This Prospectus is not a prospectus, product disclosure statement or any other form of formal “disclosure document” for the purposes of the Corporations Act. This Prospectus is not required to, and does not, contain all the information which would be required in a disclosure document under the 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 Prospectus 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 Prospectus may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the securities.

This Prospectus 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 Prospectus, 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 of the 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 residents of Canada, other than in compliance with procedures and documentation approved by Cobham for establishing eligibility and permitting participation.

Any Canadian Shareholder who wishes to receive Nil Paid Rights must first obtain and review a copy of the Canadian Offering Memorandum, which consists of this Prospectus and a Canadian-specific supplement attached at the front, and must complete and return the *Canadian Investor Letter for Shareholders and for Discretionary Account Managers in Canada*, which forms part of the Canadian Offering Memorandum. Copies of the Canadian Offering Memorandum are available on request from the Company. Further, Canadian Shareholders may only receive Nil 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.

The Underwriters may sell New Ordinary Shares, fully paid, in Canada in the Provinces of Ontario, Alberta, Ontario and Quebec, but only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New

Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus or the Canadian Offering Memorandum dated the same date as this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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.

7.8 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 Underwriters 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 Underwriters 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 Underwriters 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 paragraph (b) above.

Cobham and the Joint Underwriters may treat as invalid any MTM Instruction which appears to Cobham and the Joint Underwriters 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 Underwriters 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 XVI: “*Additional Information*” of this Prospectus. The information contained in paragraph 15 of Part XVI: “*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 XVI: “*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.

If a supplementary document is issued by the Company two days or fewer before the date specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Joint Underwriters), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Dealing Days after the date of issue of the supplementary document (and the dates and times of principal events due to take place following such date shall be extended accordingly).

12. COBHAM PLC SHARE SCHEMES

In accordance with the rules of the relevant Share Schemes, the number of Ordinary Shares subject to outstanding options and awards (excluding under the SIP) and the exercise price (if any), may be adjusted at the determination of Remuneration Committee or the Board, as applicable, 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 outstanding awards and/or options. The purpose of this adjustment is to compensate for the impact that the discount inherent in the terms of the Rights Issue will have and to preserve the aggregate value of an award or option immediately before and after the Rights Issue, subject to market fluctuations. Any adjustment will be carried out pursuant to the rules of the applicable Share Scheme and participants will be contacted separately with further information about the adjustment of any options and/or awards in due course.

13. 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 6536 (from inside the United Kingdom) or +44 (0)121 415 0286 (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 0286 number from outside the United Kingdom 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 683,145,540 New Ordinary Shares at a price of 75 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 75 pence per New Ordinary Share represents a 40.9 per cent. discount to the Closing Price as derived from the Official List of 126.8 pence per Ordinary Share on 27 March 2017 (the Closing 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 2 New Ordinary Shares for every 5 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”.

1.2 Why is a general meeting being held?

In view of the requirement to seek authority from Shareholders to allot the New Ordinary Shares and disapply statutory pre-emption rights in respect of the Rights Issue, a General Meeting is being convened for the purposes of considering and, if thought fit, passing the Resolutions, as described more fully in Part VII: “*Letter from the Chairman of the Company*” and set out in the Notice of General Meeting on pages 199 to 202 of this Prospectus.

The Rights Issue is conditional on the passing of the Resolutions. If the Resolutions are not approved at the General Meeting, Cobham will be unable to complete the Rights Issue.

The Prospectus, which specifies the terms and conditions of the Rights Issue, will not be posted to Qualifying Shareholders, but is expected to be published on Cobham’s website at www.cobhaminvestors.com on or around the date of this Prospectus.

1.3 What happens next?

The Company has called a General Meeting to be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 10.00 a.m. on 18 April 2017. Please see the Notice of General Meeting at the end of this Prospectus. As you will see from the contents of the Notice of General Meeting, the Directors are seeking shareholder approval for the allotment of New Ordinary Shares.

You will find enclosed with this document a Form of Proxy for use in relation to the General Meeting. If the Resolutions are approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). Subject to the passing of the Resolutions, Provisional Allotment Letters are due to be despatched on 18 April 2017 to Qualifying Non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 19 April 2017.

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 19 April 2017 (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 of this Part X.

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 will be sent a Provisional Allotment Letter that shows:

- (a) how many Existing Ordinary Shares you held at the close of business on 12 April 2017 (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 4 May 2017. 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 4 May 2017.

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 4 May 2017, the Company has made arrangements under which the Joint Underwriters will try to find investors to take up your rights and the rights of others who have not taken them up. If the Joint Underwriters 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 12 May 2017 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 Underwriters 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 2 May 2017, 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 4 May 2017, 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 4 May 2017. 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 4 May 2017.

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 12 April 2017 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 12 April 2017; 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 6536 (from within the United Kingdom) or +44 (0)121 415 0286 (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 United Kingdom 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 19 April 2017 (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 19 April 2017 (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 12 May 2017.

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 Existing Ordinary 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 4 May 2017. 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 12 May 2017. 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 19 April 2017. 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 19 April 2017. 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 an MTM Instruction has been inputted and has settled by 11.00 a.m. on 4 May 2017 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 19 April 2017 (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 19 April 2017, 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 19 April 2017 (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 2 New Ordinary Shares for every 5 Existing Ordinary Shares you hold on 12 April 2017, 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 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 5 May 2017.

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 Qualifying 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 XVI: “*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 19 April 2017 and 11.00 a.m. on 4 May 2017), 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) 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 4 May 2017, 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 28 April 2017 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 12 April 2017, 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 6536 (from within the United Kingdom), or +44 (0)121 415 0286 (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 United Kingdom 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 6536 (from within the United Kingdom), or +44 (0)121 415 0286 (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 United Kingdom 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 consolidated financial information incorporated by reference in this Prospectus (see Part VI: “Information Incorporated by Reference”).

1. Group Overview

1.1 The Group is an international technology and services business, employing 10,692 people as at 31 December 2016, primarily in the United States, the United Kingdom, continental Europe and Australia. It has customers and partners in more than 100 countries. The Group offers products and services to solve challenging problems across defence, security, aerospace and other commercial markets. It has leading market positions in: defence electronics; air-to-air refuelling; aviation services; life support and mission equipment; and wireless, audio, video and data communications, including satellite communications. The Group operates in four Sectors:

- (a) *Mission Systems* – provides safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting systems for extreme environments, aerial refuelling systems, weapons carriage and release systems and missile control actuation sub-systems for fast jets, transport aircraft and rotorcraft;
- (b) *Advanced Electronic Solutions* – 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 encompasses defence, including missile, radar and electronic warfare, X-ray imaging, medical and industrial markets;
- (c) *Communications and Connectivity* – 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; and
- (d) *Aviation Services* – delivers outsourced aviation services for military, government 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 primarily out of manufacturing locations principally 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 United Kingdom and elsewhere in the world.

1.3 For the year ended 31 December 2016, the Group reported underlying operating profit of £225 million (2015: £332 million; 2014: £287 million) on revenue of £1,944 million (2015: £2,072 million; 2014: £1,852 million).

2. Key Strengths

Well-positioned on high priority platforms and programmes

2.1 In the U.S. defence and security market, the Group is well positioned on sustained high priority platforms and programmes including the KC-46 tanker aircraft, F-35 fighter aircraft, 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 radio frequency (RF) solutions (e.g., exciters, transmitters, receivers) are expected to be part of future upgrades, including for the F-16 fighter aircraft, among other programmes. Additionally, the Directors believe that the U.S. government’s stated intention to increase future defence budgets, and the shift of strategic priorities to counter near-peer threats, play to the Group’s strengths in electronic self-protection, air-to-air refuelling, life support in harsh environments and in connecting the digital battlefield.

2.2 In the UK, RoW defence and security markets, the Group is addressing UK, RoW 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. The Group has strong market

positions in critical technologies and know-how including aerial refuelling, communications, self-protection, life support systems and aviation training and engineering services that are highly relevant to UK, RoW defence and security customers.

- 2.3 The Group is well-positioned in commercial markets such as aerospace, maritime SATCOM and wireless markets. Positive trends in the commercial sector, such as robust order backlogs in the commercial aerospace sector and the introduction of new Inmarsat SATCOM services, with its expected ability to improve efficiency in the maritime SATCOM sector over the long term, have helped the Group build a platform for future medium-term growth.
- 2.4 Within the Aviation Services Sector, Cobham provides its services under significant medium to long term contracts through which it flies, modifies and maintains aircraft and delivers training in aviation markets. The nature of the services provided means that customer relationships can last decades, as customers renew or extend agreements multiple times.

Distinctive, high technology content and know-how

- 2.5 In the year ended 31 December 2016, the Group's total R&D investment, comprising both internal PV funding and customer funded projects, was £251 million (2015: £258 million). The Group's internal PV investment of £130 million in the year ended 31 December 2016 represented 8 per cent. of revenue, excluding Aviation Services where there is no R&D activity. This significant investment in R&D is inconsistent with the Group's 8 per cent. organic revenue decline for the year ended 31 December 2016 and the effectiveness of the Group's investment in technology will be reviewed to ensure it is being focused on the most promising opportunities.
- 2.6 The Group's innovative technology and know-how is focused in those parts of the supply chain where the Directors believe leading market positions can be achieved by the Group. In some instances, this may be tier one, providing original equipment manufacturers with systems such as those based on the Group's air-to-air refuelling technology. However, the Group's supply is typically at tier two and tier three product levels, including platform critical hardware, software and combined sub-systems, customer test equipment and aviation services. The Group also manufactures components as a tier four supplier, where capabilities such as radiation hardening of Application Specific Integrated Circuits (ASICs) offers certain customer advantages. The Group is committed to organic investment in its technologies, thus increasing the potential for future growth.

Broad product portfolio with market leading positions

- 2.7 The Group supplies a predominantly blue chip customer base in the markets in which it operates. The Group's product portfolio is broadly diversified across four Sectors, with positions in three end markets and across multiple geographies, which provides balance to the Group's business portfolio.

Significant barriers to entry into certain markets, 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 changing the sources of products and services also can make it cumbersome for governments and government contractors to switch providers, therefore offering protection to 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 Directors intend to review the Group's strategy and the breadth and shape of its business portfolio in 2017. The Directors believe that Cobham has diversified from its core capabilities, which has led to a lack of focus. This review is expected to align each of the Group's strong technology and service positions to create a more focused Group, which is expected to enable it to improve on its delivery and performance.

- 3.2 During 2016, the Group pursued five strategic actions with the overriding objective of building and maintaining 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 strategic actions 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 align product investment to customer demand and win new customers;
 - (d) allocation of capital to achieve sustainable value creation through focus on growing markets; and
 - (e) enhancement of skills and capabilities within the Group's businesses in order to create a long term competitive advantage.

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 understanding is crucial to its ability to develop products and services that are relevant to the markets it serves. The Group also seeks to build relationships with potential customers in order to develop applications for its technology and know-how in new markets.

Improved operational performance

- 3.4 In order to grow market share, the Group seeks to drive improvement in its operational performance to meet customers' needs. This is intended to allow the Group to deliver products and services in line with customer schedules, on budget and to agreed performance and quality metrics.

Investment in technology

- 3.5 As a technology focused business, the Group seeks to invest in technologies which are innovative, discriminating 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 place to ensure capital is allocated to achieve sustainable value creation through a focus on growing markets. This means that the Group reviews the markets served by its Sectors at both a macro and micro level and focuses investment on those areas that will deliver the best financial returns, thereby optimising revenue and profits.

Enhancement of skills and capabilities

- 3.7 The Group's competitive advantage is dependent on its employees' skills and capabilities to foster long term growth. Enhancing the skills and capabilities of the Group's employees, through focused learning and development, as well as by recruiting and developing the next generation of skilled employees, is essential for a technology business to deliver the commitments the Group makes to its customers.
- 3.8 Following from an initial review by the new Chief Executive Officer and Chief Financial Officer, the Group's particular focus in 2017 will be on enhancing its management controls and operational and financial discipline. It also will seek to bring additional focus to customer relationships and reduce complexity and duplication in the business through the simplification of systems, processes and reporting.

4. Market Overview and Competition

- 4.1 The Group operates in three broad end markets: U.S. defence and security, UK, RoW defence and security and commercial.

U.S. defence and security

- 4.2 For the year ending 31 December 2016, 34 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, comprising approximately 36 per cent. of global spending, is primarily driven by the 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 spending in the procurement and research, development, testing and evaluation accounts, together known as the investment accounts, within the DoD budget.

- 4.3 The Group provides customers with niche capabilities which are concentrated at the component, sub-system and system level of the supply chain. Many of the Group's platform positions within the U.S. defence and security market are highly defensible and it holds incumbent positions. As such, the Directors believe that 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

- 4.4 The DoD investment accounts' budget grew by 119 per cent. in constant dollars 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 and the global financial crisis, the DoD's investment accounts budget has fallen significantly, reducing by 38 per cent. between 2008 and 2015. Following successive low single digit increases in the 2016 and 2017 DoD budgets, the new U.S. administration has announced plans to make further increases to future budgets.

Products, Market Position and Market Outlook

- 4.5 The Group serves the U.S. defence and security market through a variety of differentiated technologies and capabilities. Its components, sub-systems and 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. The Directors believe 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.
- 4.6 General conditions in the U.S. defence and security market began to stabilise in 2015 and 2016. This has been underpinned by a two year bipartisan agreement covering 2016 and 2017. Whilst funding 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 has declined from a high of US\$215 billion in 2007 to a request of US\$59 billion in 2017, the rate of decline has slowed in recent fiscal years. This suggests that the OCO has become an ongoing request for funding for various regional operations rather than being driven by the needs of a specific operational contingency. Recently, the DoD has used the OCO to fund an increase in the procurement and research, development test and evaluation investment accounts. Should this continue to occur, investment account budgets and spending may be even higher. Although there is evidence of an improving budgetary environment, there is a time lag between budgetary approval and investment outlays, or the spending of the budget.
- 4.7 It is a DoD priority to rebalance its military posture towards the Asia/Pacific region. This has resulted in continued investment in the U.S. Navy and a recapitalisation of the U.S. Air Force, which has an ageing inventory of aircraft. Within the naval market, the Group provides electronic warfare and advanced radar components on next generation programmes such as waveguide components and assemblies for the Aegis Ballistic Missile Defence radar, which searches, tracks and provides missile guidance functionality. It is also on 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 capability area to be BAE Systems, Harris Corporation, Kratos and Northrop Grumman.
- 4.8 The Directors believe that the recapitalisation of an ageing aircraft fleet is likely to drive continued DoD spending on aircraft procurement, particularly on 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 2028. In addition to KC-46A, the Group provides critical components and subsystems including life support and weapons carriage and release systems on the

U.S. Air Force's F-16 and F/A-18 aircraft, and a variety of life support, weapons carriage and release and microelectronic products and systems on the P-8 and E-2D aircraft. Key competitors in this market include Honeywell, Parker Hannifin, Federal Industries, United Technologies and Harris Corp.

- 4.9 As regional conflicts around the globe continue to simmer, the Directors believe that U.S. demand for components and subsystems for missiles and munitions will remain strong 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 Advanced Medium-Range Air-to-Air Missile (**AMRAAM**), providing critical capabilities in missile guidance and control actuation. Competitors in the missile and munitions market segment include BAE Systems, Moog, Northrop Grumman and Woodward Governor.
- 4.10 The promotion of cyber and electronic warfare is a key DoD initiative and is expected to be backed by US\$1.7 billion in investment over the next five years. The Directors expect that the requirements for real-time secure communication, enemy surveillance and intelligence gathering will continue to grow alongside demand for equipment and military systems that facilitate C4ISR capabilities. The Group is well positioned to capitalise on this trend with important positions on priority DoD programmes such as multi-function antennas WIN-T and research and development for 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.
- 4.11 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 counter sophisticated adversaries employing advanced capabilities. The Group's positions in space on programmes such as Global Positioning System III, advanced extremely high frequency satellites and space based infrared system provide enduring capabilities that the Directors believe will be in operation for at least the next decade.
- 4.12 With the ability to take off and land in locations where fixed wing aircraft are unable to, coupled with a significant combat capability, rotorcraft are a significant part of the DoD's military resources. Cobham addresses the rotorcraft market as a supplier of specialist products on platforms including, but not limited to, inerting systems on the AH-64 attack helicopter and tuneable antennas on the UH-60 transport helicopter. Competitors in the rotorcraft space include AMSAFE, General Dynamics, Harris Corp., Honeywell, Parker Hannifin and Raytheon.
- 4.13 Some of the most notable U.S. defence and security programmes using the Group's technologies are:
- (a) the Lockheed Martin F-35 joint strike fighter, on which the Group has over 100 components, including radar and electronic warfare microwave components, aerial refuelling equipment and slip rings. Approximately 2,158 aircraft are expected to be procured through the remaining life of the programme;
 - (b) the Boeing KC-46A Pegasus, for which Cobham provides aerial refuelling systems, as well as body fuel tanks, inerting systems and communications equipment. The U.S. Air Force awarded Boeing the next generation tanker contract in 2011 to build 179 KC-46 tankers for the Air Force by 2027. Boeing has been awarded three LRIP contracts since mid-2016, covering 34 aircraft and 15 LRIP wing refuelling pods;
 - (c) the Lockheed Martin KC-130, on which the Group will continue to deliver its air-to-air refuelling systems;
 - (d) the Bell-Boeing V-22 Osprey, on which the Group provides UHF/VHF antennas, oxygen systems, refuelling probes and restraint systems. In 2016, the Group was awarded a contract to develop a palletised aerial refuelling system for the V-22 Osprey;
 - (e) advanced missile programmes, including the Raytheon AMRAAM, Orbital ATK Advanced Anti-Radiation Guided Missile (**AARGM**) and Lockheed Martin Patriot, for which the Group is the premier RF partner;
 - (f) missile defence radar systems, such as the Aegis Ballistic Missile Defence programme and the Raytheon Air Missile Defense Radar, which is enabled by the Group's RF technology; and

- (g) high volume precision guided weapons, such as the Raytheon Paveway II laser-guided bomb and the Raytheon Small Diameter Bomb Increment II, for which the Group provides control actuation systems.

UK, RoW defence and security

- 4.14 In the year ended 31 December 2016 the Group derived 25 per cent. of its total revenue from UK, RoW defence markets with major contributions from its special mission and helicopter services operations, antenna and avionics products, air-to-air refuelling systems and advanced electronic solutions for defence applications. Over the next decade, the Board believes the Group is likely to benefit from its long term and sizeable UK, RoW defence market contracts along with increasing market activity.
- 4.15 Demand for defence and security products is expected to increase. Global military expenditure rose for the second consecutive year in 2016, led by uncertainty driven by regional tensions including in the Middle East, Eastern Europe and the Asia-Pacific regions. The growth in military expenditure is expected to continue over the next decade, with defence spending forecast to recover to pre-financial crisis levels by 2018, supporting the Group's medium-term growth outlook.
- 4.16 As a result of security concerns, military spending in Western Europe in 2016 increased for the first time since 2010, showing further signs that the period of decline is coming to an end. Approximately US\$10 billion will be added to Western European defence budgets across the next five years. The EU, particularly the United Kingdom, France and Germany, represents a core market for the Group. The combined defence budget for the EU is expected to grow from US\$219 billion in 2016 to US\$230 billion in 2020.
- 4.17 There is considerable uncertainty regarding the future of the UK defence budget following the decision to leave the European Union in June 2016, commonly referred to as "Brexit". Despite the risks to the Group presented by Brexit, the United Kingdom has affirmed its commitment to NATO, and will continue as a critical partner in its military and diplomatic posture, supporting market demand. In 2015, the United Kingdom pledged a significant military equipment investment programme in support of its NATO membership, consisting of £178 billion of investment plans for the coming decade with a £12 billion increase in equipment budgets.
- 4.18 Based on its existing positions and portfolio of differentiated capabilities the Directors anticipate longer term growth opportunities in the Group's international defence markets. Some of the most notable programmes the Group's technologies and services support are:
 - (a) the Dassault Rafale, with over a hundred aircraft already delivered and operational, Dassault recently reported a backlog for the Rafale of 110 aircraft, comprising 32 for France and 78 for export, including a 36-aircraft deal with India that was secured in 2016, as well as export orders to customers in North Africa and the Middle East;
 - (b) the Airbus A400M, of which there are 33 tanker variants currently on order which will be fielded by France, Germany, Spain, and Malaysia; and
 - (c) the Airbus A330 multi-role transport tanker, of which 23 aircraft are on order with five major air forces (Australia, the Netherlands, Singapore, France and South Korea). The Group's under-wing refuelling pods are standard fit on these aircraft (28 of which are now in service), being compatible with NATO and allied probe-equipped receiver aircraft including the Eurofighter, Tornado, Jaguar, F/A-18 Hornet and Sukhoi SU-30.
- 4.19 The Group's UK, RoW defence market competitors include: L-3, Meggitt, Teledyne, Thales, Ultra Electronics and Rockwell Collins.
- 4.20 The Group's Aviation Services Sector enhanced its capabilities in UK, RoW defence and security markets through the acquisition of full ownership 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. 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. However, operational activity and volatility in oil prices have impacted buying patterns and behaviours and may impact defence spending in the future.
- 4.21 In addition to operational readiness training and rotary wing services, the Group was in 2014 awarded a 12-year contract to supply and operate search and rescue aircraft for the Australian Maritime Safety Authority. The first of four aircraft commenced operations in December 2016.

- 4.22 Key competitors in the Group's Aviation Services defence market include: ATAC, Discovery Air, Leonardo, PAL and Raytheon (special mission); Airbus, Babcock, Bristow and DCI (helicopter services).
- 4.23 In addition to direct foreign sales, the Group benefits from export contracts won by its 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 then exported internationally.
- 4.24 Some of the most notable U.S. export programmes using the Group's technologies are:
- (a) the Lockheed Martin F-35 joint strike fighter, currently expected to be fielded by Australia, 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 the US Air Force has agreed to sell four to Japan, with talks regarding a possible sale to the Israeli Air Force underway;
 - (c) the Lockheed Martin KC-130, operated by the United States, France, Kuwait and Saudi Arabia;
 - (d) missile exports of U.S. platforms including the Raytheon AMRAAM, Raytheon Paveway II laser-guided bomb and Lockheed Martin Patriot to see continued demand based on U.S. foreign military sales data for 2017; and
 - (e) in-service defence aircraft fleets from which the Group benefits from ongoing deliveries and aftermarket sales, including the Boeing F-15 programme, originally built for the U.S. Air Force and exported to Israel, Japan, South Korea and Saudi Arabia; the Boeing E/A-18 Growler and F/A-18 E/F Super Hornet, and the Lockheed Martin F-16 which has been sold to 28 customers around the world.

Commercial

- 4.25 In the year ended 31 December 2016, 41 per cent. of the Group's revenue was derived from its positions in commercial markets, where its principal offerings include commercial aviation communication, avionics and safety related products, outsourced 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. The majority of the Group's commercial revenue is related to communications, in particular for products that are used in communications on the move, with applications in harsh or difficult environments.
- 4.26 Long-term demand in these markets is driven by the need for an increased bandwidth for communications, underpinned by a growing demand for network capacity intensive applications, increasing mobility, and a desire for smaller and lighter products which drive greater fuel efficiency and operational savings.

Aerospace

- 4.27 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, a broad range of RF, microwave and SATCOM and other antenna products and a range of safety related products including inert gas generation systems and oxygen systems. The Group also supplies microwave components and sub-systems and slip rings to all supplier levels of the commercial aviation industry.
- 4.28 The Group derives revenue from the markets for commercial airliners, regional aircraft, business jets and rotorcraft, as well as from general aviation markets. The Board believes that over the next ten years approximately 18,600 commercial airliners, 4,200 regional jets and turboprops, 8,300 business jets and 10,375 civil helicopters will be delivered, representing a sizeable market opportunity.
- 4.29 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.
- 4.30 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 United States 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.

- 4.31 The Group identifies its key competitors across commercial aviation as Rockwell Collins, Thales, Avtech, Honeywell, Parker Aerospace and Sensor Systems, with which it competes in various product markets in the United States and in Europe.
- 4.32 The Board believes that approximately 18,600 commercial airliners are forecast to be produced and delivered in the next ten years, driven by emerging market demand, operators' need for more fuel efficient aircraft and passenger air traffic growth. While commercial jet order backlogs declined in 2016 for the first time since 2009, they remain at record levels and are expected to support planned production increases to meet market demand and driving medium-term revenue growth for the Group.
- 4.33 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 drive this demand. As emerging markets continue to develop and open, air travel is considered increasingly essential and is one of the first discretionary expenditures to be added as consumers join the growing global middle class. The needs of these consumers have resulted in fundamental shifts in how airlines compete, with many airlines now offering in-flight entertainment & connectivity (IFEC) as a key differentiator. This trend aligns with the Group's investments in airborne SATCOM antennas and IFEC servers.
- 4.34 In addition, as a result of recent volatility in oil prices, next-generation fuel-efficient aircraft continue to appeal to operators 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. Multiple next generation platforms, such as A350-1000, A320neo, A330neo, B737MAX, B787-10 and B777X, have already or are set to enter service through the balance of the current decade, and comprise approximately 80 per cent. of commercial airliners currently on order. The Group is well positioned to address these platforms' emphasis on minimising size, weight and power of components and subsystems, and continues to invest to improve performance levels while reducing weight and drag.
- 4.35 The Group currently has shipsets on all Airbus and Boeing platforms and is seeking to grow its positions on next-generation platforms. The strong order backlogs for these platforms underpins the Group's medium term 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.
- 4.36 Regional aircraft continue to provide opportunities for smaller rivals of Boeing and Airbus, filling 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. The Board expects approximately 3,200 regional jets and 1,000 regional turboprops for delivery over the next ten years, which represents a market opportunity.
- 4.37 The Directors expect that the regional aircraft market will grow at low- to mid-single digits through the next five to ten years. This market shares similar underlying market trends to commercial airliners, and a number of next-generation regional aircraft platforms, such as the Mitsubishi Regional Jet and the Embraer E-Jet E2, are expected to enter service in the next few years, driving market penetration and dramatically shifting the OEM landscape. The Directors believe that this market presents an attractive long term growth opportunity for the Group, where it can compete on its advanced technological capabilities to deliver high performing products.
- 4.38 The outlook for the business jet market remains uncertain. Following a period of significant declines from the 2008 production peak and consequent market stagnation, market recovery has yet to materialise with the business jet industry in 2016 recording its lowest output since 2004. The market has been impacted by a number of factors, including low oil prices and corporate profits, global economic and political instability and a large inventory of used aircraft. Whilst a number of new business jet models such as the HondaJet and Latitude have or are expected to enter service in the next decade and stimulate market demand, the market is not seen as an area of significant long-term growth for the Group.
- 4.39 The civil rotorcraft market remains in recession due to volatility in global oil and gas prices and activity, as much of the market is linked to the offshore transportation sector. Helicopter OEMs continue to face significant headwinds and limited growth in civil markets as a result of this downturn, and this has translated into near-term pressure for the Group.
- 4.40 A number of new platform variants are expected to enter service in the next few years; however, the outlook has been negatively affected by several recent fatal crashes involving helicopter prototypes,

including the Bell 525 Relentless and Leonardo's AW609. The longer-term outlook nonetheless remains positive as technology continues to advance and uses for civil helicopters continue to expand, in addition to increasing demand in China following the opening of its low-altitude airspace. As such, the Directors believe that this market remains an attractive opportunity for the Group.

Outsourced aviation services in Australia

- 4.41 The Group's operations include contracted airline services for national carrier Qantas as well as passenger and freight carriage for corporates and large mining and natural resources companies in Australia's outback. These services form the key components of the Group's commercial aviation services market segment.
- 4.42 Demand for aviation services in Australia (fly-in, fly-out and closed charter) is driven in part by activity in the natural resources 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 three years, contributing to the Group's recent declines in this market.
- 4.43 Many of the factors that supported high demand, such as economic growth in China, have now moderated. This has meant that global commodities prices have seen a significant decline from their peak values, although they have increased from their lowest values and are anticipated to remain stable for the next five years.
- 4.44 Australian commercial aviation, notably the regular public transport market, is expected to grow over the next five years as passenger traffic, measured in passenger kilometres flown, is projected to grow from approximately 69 million in 2016 to nearly 80 million in 2021.
- 4.45 Key competitors in the commercial aviation market include: AirNorth, 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).
- 4.46 The Group is currently focused on taking actions to retain a strong market position, reduce costs, maintaining the next generation platform differentiating capability and position itself for an upturn in the industry.

Maritime SATCOM

- 4.47 The Group addresses the maritime SATCOM market with its SeaTel and SAILOR brands. 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.
- 4.48 The global maritime markets have recently suffered a downturn brought about by volatility in 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 the beginning of 2016, reaching an all-time low in February 2016. The index has shown signs of modest recovery toward the end of 2016, but remains volatile, as operators continue to be impacted by the drop in shipping and commodity prices, impacting vessel utilisation rates as excess vessels are docked and operators manage capital expenditure to reduce costs.
- 4.49 The global maritime SATCOM market in 2015 reached close to 338,000 terminals, US\$953 million in revenue at the satellite operator level and US\$1.7 billion in revenue at the service provider level. The value of the maritime SATCOM market is expected to continue to grow over the next decade, with a compound annual growth rate (CAGR) of 5 per cent. in terminals and revenue over a ten-year period. Data communications needs and the launch of a new generation of high throughput satellite (HTS) systems are expected to drive growth.
- 4.50 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 collectively represent a global maritime fleet of approximately 350,000 vessels. Merchant and fishing vessels present the most attractive segment given low very small aperture terminal (VSAT) penetration and mandatory International Maritime Organization requirements, such as the requirement for dedicated fire fighting radios, and these provide incremental business growth opportunities.

- 4.51 The Group addresses specific niches within the maritime SATCOM market, including 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 (United States). 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 Mobile Satellite Users Association Satcom Innovation Award); and
 - (e) engineering coverage in all disciplines and all associated products, including antennas, modems and systems.
- 4.52 The year 2016 marked the entry into service of HTS systems with a maritime focus as a result of the commencement of commercial operation of Inmarsat's Global Xpress (**GX**) programme and Telenor's Thor 7 satellite, as well as the launch of the first two Epic satellites. A number of additional HTS satellites are expected to be launched in the coming years, with maritime satellite capacity expected to reach approximately 680 Gbps by 2020.
- 4.53 The Group was selected to be a GX terminal manufacturer for both the maritime and land markets, and this next generation technology is expected to drive sales in VSAT and TVRO antennas. The Group believes that 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.
- 4.54 HTS is expected to result in a significant decrease in capacity prices which, along with innovations at the antenna level with the entry into service of flat-panel antennas (**FPAs**) in 2017, will drive demand for bandwidth intensive applications such as data analytics and video streaming applications. Nonetheless, FPAs are not expected to enter the maritime SATCOM market for a number of years and will compete with existing VSAT solutions in merchant shipping and fishing markets, where the superior performance of existing mechanically-steered antennas provided by the Group will continue to present a strong value proposition.

Wireless

- 4.55 The wireless business is comprised of two areas of capability: distributed antenna systems (**DAS**), which includes wireless coverage solutions, and testing of wireless networks.
- 4.56 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 continues to drive growth across the commercial wireless market, and the Directors believe global data traffic will grow exponentially through the remainder of the decade. Major investment and engineering resource is now focused on capturing additional spectrum, enhancing device and network transmission and performance levels.
- 4.57 The global wireless test equipment market as a result continues to evolve. 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. The Directors estimate that the global wireless test equipment market will grow from approximately US\$3.5 billion in 2016 to approximately US\$4.4 billion in 2022 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.
- 4.58 4G deployments in the wireless communications market began to slow during 2015 and while initial 5G spending commenced in 2016, starting the next mobile infrastructure investment cycle, spending on 5G has, to date, not been sufficient to offset the decline in 4G spending. The growth in global telecommunication research and development spending supports the Group's long term growth outlook, as wireless technology advances, such as 5G development are expected to increase demand for telecom equipment and devices.

- 4.59 The Group continues to invest in its TM/E500 product suite which allows customers that design, develop or deploy network infrastructure and base stations to load test networks with thousands of mobile phones. The market size of the base station test market for wireless test solutions is estimated to grow at a CAGR of 3 per cent. from US\$630 million in 2016 to US\$780 million by 2022. The Group's products address a specific niche within this broad market, and the Group identifies its key competitors as Artiza (Japan), Prisma Engineering (Italy) and Viavi (United States).
- 4.60 The Group's coverage business is well positioned to address increasing customer demand for improved mobile device coverage. 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 on creating an optimal customer experience by ensuring a consistent mobile broadband experience, particularly in dense urban areas and inside buildings.
- 4.61 The Group provides DAS and wireless coverage solutions for the public safety and cellular markets, with a specific focus on in-building and critical infrastructure applications. The Group is 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.
- 4.62 The Group has improved its position in the cellular market following the successful launch of its new digital DAS product, idDAS, in early 2016. 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.
- 4.63 The Directors estimate that worldwide DAS revenue will grow at a CAGR of 2 per cent. over the next five years and will reach US\$2.2 billion by 2020. Key competitors in the DAS market include Commscope, Corning, JMA Wireless (all United States) and SOLiD (United States and Asia).

5. Operating Sectors

Mission Systems

Overview

- 5.1 The Group's Mission Systems Sector provides safety and survival systems for extreme environments, aerial refuelling systems and weapons carriage and release systems and missile control actuation sub-systems for fast jets, transport aircraft and rotorcraft. The Sector has 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. In each of its primary product areas, the Mission Systems Sector is a leader with customers including Airbus, Boeing, Embraer, Lockheed Martin and Raytheon. The Sector has five capability areas:
- (a) *air-to-air refuelling* – The Group has over 80 years' experience in nose-to-tail aerial refuelling systems, including receiver aircraft probes, control avionics and hose and drogue systems trailed behind aircraft. The Directors believe it is one of the most technically advanced suppliers of aerial refuelling systems in the world, with tankers remaining in service for several decades. Over 2,000 aerial refuelling systems have been delivered to defence customers worldwide for fixed and rotary-wing aircraft including fifth generation systems for KC-46A, A330 MRTT, A400M and KC-390 aerial refuelling tankers;
 - (b) *pneumatic systems* – The Group designs and manufactures 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 positions. 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;
 - (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. 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;

- (d) *thermal management* – The Group designs and manufactures equipment utilised to provide cooling in extreme environments. These products cool thermal imaging devices such as those employed on board targeting hardware, including the F-35 electro-optical targeting system. In addition these devices are utilised on board a wide range of ballistic missile defence platforms. Other platforms include Javelin; and
- (e) *releases and restraints* – The Group provides specialised release and restraint hardware for the military rotor craft, fast jets and ground vehicle markets which enhance survivability in harsh environments. The technology is designed to sense a crash as it occurs and prevent further injury to pilots, crew and passengers. Platforms include H-1, H-60, CH-47, CH-53, V-22 Tiltrotor, OH-58 and Apache helicopters.

Results and Developments

- 5.2 In the year ended 31 December 2016, the Sector generated revenue of £386 million representing growth of 1 per cent. from the year ended 31 December 2015. The Sector represented 20 per cent. of the Group's revenue for 2016, with the majority of revenue from the U.S. defence and security market (54 per cent.) and the UK, RoW defence and security market (37 per cent.). By geography, the Sector derived the majority of its revenue for 2016 from customers in the United States (70 per cent.) and Europe (21 per cent.).
- 5.3 Within the Sector's aerial refuelling activities, the Group has taken an exceptional charge of £150 million in the year ended 31 December 2016 on the KC-46 development programme (see paragraph 5.5 of this Part XI, below). As described in Part II: "*Risk Factors – Risks relating to the business of the Group – 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 the Group's business, results of operations, financial condition and prospects,*" the Group's future profitability and cashflows are partially dependent on the achievement of contractual milestones and delivery schedules associated with its development contracts. Demand for missile actuation control subsystems on high volume air-to-ground missiles and laser guided munitions continued to grow, with multi-year contracts secured.
- 5.4 In 2016, the Group achieved several strategic successes, including:
- (a) work on the conformity process for the KC-46 tanker centreline drogue system is substantially complete. Qualification activity is ongoing as part of the overarching U.S. Federal Aviation Administration (FAA) certification process. Conformity activity for wing aerial refuelling pods continues. Eighteen aircraft are anticipated to be delivered to the U.S. Air Force by the end of the first quarter of 2018, complete with all required capabilities, except the wing aerial refuelling pods (WARPs) due to a longer certification timeline. The WARPs are anticipated to be delivered before the end of 2018;
 - (b) delivery of the first shipset of aerial refuelling pods to Airbus for the A330 MRTT destined for the Singapore Air Force, with successful flight trials conducted;
 - (c) the first full production wing pods entered service with the German Air Force on the Airbus A400M programme during 2016;
 - (d) the Group also had a successful first deployment and rewind of the wing aerial refuelling pod for Embraer's new KC-390 tanker aircraft for the Brazilian Air Force, with dry refuelling contacts achieved in February 2017;
 - (e) three major U.S. airlines adopted Cobham's high performance and long-life air separation module (ASM) for Boeing 737NG commercial operators, with installed Cobham ASM units having accumulated more than 150,000 flight hours. The ASM product leverages previous investments in defence technology to reduce flammability in commercial aircraft fuel tanks and is driven by an FAA mandate to reduce and mitigate fuel tank flammability on board all U.S. domestic carriers by 2018;
 - (f) the Group's strong portfolio of space rated tanks, valves, regulators and subsystems continue to gain broad acceptance in the commercial space market; and
 - (g) the Group secured multi-year contracts for missile actuation control systems on high volume air-to-ground missiles and laser guided munitions, which is expected to lead to an increase in production rates in 2017.
- 5.5 In February 2017, Cobham announced that Boeing and Cobham had agreed to a number of changes with respect to the KC-46 contract to provide a baseline for completion of the programme. This included the

incorporation of a significant number of requirement-related changes into a programme schedule aligned with Boeing's needs, full and final settlement of all disputed amounts and claims, an updated payment schedule and an agreement on new ways of working, including the management of interdependencies and any future changes.

- 5.6 During the course of commercial negotiations with Boeing, it was determined that the costs to complete the development schedule would fall largely to Cobham's account. As a result, as at 31 December 2016, the Group has taken a charge of £150 million, which the Directors believe fully bounds the Group's historic liabilities under the contract and funds the remaining work, after taking into account the Group's historic contract performance.

Advanced Electronic Solutions

Overview

- 5.7 The Group's 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 encompasses defence, including missile, radar and electronic warfare, X-ray imaging, medical and industrial markets. The Sector has operating locations in the United States, the United Kingdom, Sweden and Mexico.
- 5.8 The Sector comprises three business units:
- (a) *integrated electronic solutions* – The Group's integrated electronic solutions business delivers cost effective, differentiated RF antennas and technology solutions integrated within 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 and defence market segments and high reliability space-qualified motion control products;
 - (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
 - (c) *semiconductor solutions* – The Group designs, manufactures and markets high reliability space-qualified electronic components, ASICs, electronic manufacturing services and radiation effects test services for the aerospace, defence and commercial markets.

Results and Developments

- 5.9 In the year ended 31 December 2016, the Sector generated revenue of £512 million, representing a decline of 5 per cent. from the year ended 31 December 2015. The Sector represented 26 per cent. of the Group's revenue for 2016, with the majority of revenue from the U.S. defence and security market (80 per cent.). By geography, the Sector derived the majority of its revenue for 2016 from customers in the United States (91 per cent.).
- 5.10 The Sector is expected to continue to benefit from its strong positions in missile markets. This includes the Standard Missile-3 and Evolved Sea Sparrow Missile programmes, which have been successfully tested for expanded roles. It also has significant electronic warfare and radar subsystem content on the F-35 joint strike fighter aircraft, with a continuing increase in aircraft production expected. In addition, the air and missile defence radar programme is expected to go into initial production in 2017. The Sector has also had initial success in penetrating small satellite providers and anticipates production awards by early 2018, and it has continued to secure large orders for application-specific integrated circuits.
- 5.11 In 2016, the Group achieved several strategic successes, including:
- (a) the Group has secured a multi-year award for ASICs used in electronic detonation with a leading Australian mining services company with global operations;
 - (b) the Group has received a number of follow-on orders for growth programmes including the F-35 joint strike fighter and missile programmes, including the AARGM and AMRAAM;

- (c) the Group was selected as one of eight companies to participate in the multi-year Advanced Technology Support Program IV. This award is an indefinite delivery, indefinite quantity contract award supporting the resolution of issues arising from obsolete, unreliable, unmaintainable or underperforming hardware and software as they arise;
- (d) the Group was awarded multiple large ASIC development programmes for global satellite manufacturers; and
- (e) the Group supported winning teams for two advanced electronic warfare opportunities: surface electronic warfare programme and airborne offboard electronic warfare programme.

Communications and Connectivity

Overview

- 5.12 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.
- 5.13 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 and components for commercial, business and military aircraft, covering airborne communications, audio and radio management, servers, routers, clocks and internal and external lighting solutions. Cobham is also a leading supplier of slip rings to wind turbine and industrial applications;
 - (b) *antenna systems* – supplying advanced, integrated systems for communication, navigation and collision avoidance, 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 at sea, in the air and on land. The product offering includes terminals and modems for aircraft cockpit and cabin communication, satellite communication at sea (enabling safety critical communications, navigation and TV reception), radio communication at sea (including utility and safety critical radios) and satellite ground station 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 test equipment to the wireless infrastructure, automotive and electronics manufacturing markets and providing wireless coverage extension to the built environment. The product offering includes the test mobile range, modular and legacy test products and DAS; and
 - (e) *AvComm* – offering a range of avionics, radio 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

- 5.14 In the year ended 31 December 2016, the Communications and Connectivity Sector generated £690 million in revenue, representing an 11 per cent. decline from the year ended 31 December 2015. The Sector represented 36 per cent. of the Group's revenue in 2016, with the majority of revenue from commercial markets (77 per cent.) and the UK, RoW defence and security market (16 per cent.). By geography, the Sector derived the majority of its revenue for 2016 from customers in Europe (41 per cent.), the United States (29 per cent.) and Asia (20 per cent.) regions.

5.15 Multiple programmes are under development aimed at securing growth across the Sector:

- (a) Full digital integrated radio and audio management systems: a key evolution of Cobham's audio and radio management platforms leveraging internet protocol for the audio route and computerisation of selected functions to integrate more capabilities in the cockpit, reducing the need for cabling as well as 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: a family of SATCOM systems, which are smaller and lighter than current SATCOM systems providing the combination of internet protocol, Aircraft Communications Addressing and Reporting System (**ACARS**) data and voice capabilities. The ACARS and internet protocol data links allow connectivity on aircraft to devices such as the cockpit electronic flight bag, 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) Next generation modular test and validation: a new test platform for RF applications offering hardware modularity based on Advanced TCA Extensions for Instrumentation and Test (**AXIe**) standards as well as Software modularity based on SCA standards, enabling scale from large, complex and distributed systems down to small, simple and embedded devices and covering new market opportunities;
- (e) TM/E-500 mobile network test platform: the evolution of the market leading TM/E-500 mobile network test platform with industry-first developments towards enabling 5G mobile communications giving unprecedented 10 Gbps throughput testing capability;
- (f) 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; and
- (g) The RT-7000 Software Defined Tactical Radio: a successor to Cobham's successful RT-5000 tactical radio in use with public safety agencies throughout the world. The RT-7000 will initially be launched with AM/FM VHF/UHF and P25 capability, with future developments to include TETRA, LTE, SATCOM and HD video.

5.16 While maritime markets remain challenging, there has been acceleration in shipments of medium maritime VSAT in the SATCOM business, which are linked to the growth in subscribers for new constellations such as Inmarsat Global Xpress. Within aerospace markets, Cobham's Aviator S SATCOM product has now been selected for the Airbus single aisle and long range aircraft, with revenue anticipated from 2018.

5.17 In the wireless business, while sales volumes for test and measurement products were lower than in the previous year, there have been initial requests to support 5G pilot projects and growth in distributed antenna systems. The AvComm business has developed the first industry test platform for software communications architecture, generating significant interest from radio manufacturers and governments, with first orders received in the second half of 2016.

5.18 In 2016, the Group achieved several strategic successes, including:

- (a) secured a contract with Airbus worth up to US\$200 million for Cobham's light Inmarsat SATCOM solution (Aviator 200S and 700S);
- (b) secured a contract with Airbus for Cobham's next generation Radio Audio Integrated Management System (**RAIMS**), to be fit on the A320neo and A330 aircraft family. Cobham's RAIMS is already standard fit on the Airbus A350 and A380 widebody aircraft;
- (c) selected by SHENZHEN Airlines as the supplier of selective-calling radio decoders on its 44 BOEING 737-800 aircraft. This order confirms Cobham as a preferred supplier for SELCAL decoders, which alert crews to incoming communications, even with the radio muted;
- (d) awarded a multi-year order for GX SATCOM certified products, to be fitted on 70 ships in support of Nanjing Tankers Corporation "smart shipping" initiatives;
- (e) the Group's intelligent digital distributed antenna system (**IdDAS**) provided live wireless big screen coverage for football fans throughout the 2016 European Football Championship along Berlin's "Fan Mile";

- (f) secured a strategic partnership with Harris Corporation to provide automated test and alignment capabilities for Harris' range of XL-200P P25 radios using the Cobham 3920B Digital Radio Test Set;
- (g) secured the Los Angeles Police Department as a launch customer for the new RT-7000 panel-mount tactical radio; and
- (h) the aerospace communications business was awarded an initial contract from OneWeb for its 600+ internet-providing satellite constellation.

Aviation Services

Overview

- 5.19 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 has activities 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, the Middle East and the Caribbean. The nature of the services provided in the Aviation Services Sector means that the Group's contracts can last decades, as customers can renew or extend agreements multiple times.
- 5.20 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 three 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, search and rescue (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. 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) In 2016, the special mission business commenced a 12-year, A\$640 million long-range SAR contract for the Australian Maritime Safety Authority which utilises 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. The Group's current UK Ministry of Defence electronic warfare operational readiness training contract expires on 31 December 2019 and the UK Ministry of Defence has launched an open international industry competition for the successor programme (Air Support to Defence Operational Training), with the outcome of the competition expected to be made public by the end of 2019;
 - (c) *commercial aviation services*
 - (i) 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, and provides bespoke customised quarantine facilities and airport management solutions to meet unique customer requirements; and

- (ii) 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. Cobham's fleet of 20 aircraft carry more than two and a half million passengers per year, flying to more than 40 ports in every state and territory in Australia.

Results and Developments

- 5.21 In the year ended 31 December 2016, the Sector generated revenue of £357 million, representing a decline of 8 per cent. from the year ended 31 December 2015. The Sector represented 18 per cent. of the Group's revenue for 2016, with revenue from the UK, RoW defence and security market (56 per cent.) and commercial markets (44 per cent.). By geography, the Sector derived the majority of its revenue for 2016 from customers in Australia (58 per cent.) and the United Kingdom (30 per cent.).
- 5.22 Conditions within the Australian natural resources market are expected to remain challenging in 2017. Despite this outlook, the Sector has commenced flying operations for Blackham Resources and Doray Minerals to provide fly-in, fly-out services to mining sites in Western Australia. The Sector has a contract with the UK Ministry of Defence to provide helicopter pilot training services for the UK Department of Defence until 31 March 2018. In May 2016, Airbus Helicopters UK Ltd was selected as the aircraft service provider in support of the follow-on contract, which will result in a loss in revenue in the Aviation Services Sector. The Sector continues to operate the defence helicopter flying school, with transition planning underway ahead of the expected contract end on 31 March 2018.
- 5.23 In 2016, Cobham successfully executed tenders and strategic programmes to contribute to future growth, which included the following:
 - (a) a ten year extension was signed with Qantas to continue to operate a fleet of 20 Boeing 717 aircraft across Australia until 2026 under the Qantas brand, which commenced on 1 January 2017, albeit on reduced margins;
 - (b) the mobilisation phase of the four specially modified Bombardier Challenger CL-604 aircraft for the new 12-year A\$640 million Australian Maritime Safety Authority contract is in progress. The first modified aircraft commenced operations in Cairns in December 2016 and the second commenced operations in Perth in February 2017. The remaining two aircraft are undergoing mission systems modifications in Cobham's Adelaide facilities and are scheduled to enter service in the first half of 2017;
 - (c) a four year contract extension was secured to support rear aircrew training for the UK Military Flight Training School; and
 - (d) a contract was entered into to provide QinetiQ with a Bell 412 helicopter for the UK Empire Test Pilot School.

Divestments

- 5.24 Recent divestments have included:
 - (a) Weinschel, Inc. (**Weinschel**) and Inmet, Inc. (**Inmet**) in June 2015, for US\$80 million;
 - (b) the Group's composites businesses in November 2015, for US\$200 million;
 - (c) the Metelics business unit in December 2015, for US\$38 million;
 - (d) the Group's surveillance business in January 2016, for US\$10 million; and
 - (e) the Telerob robotics business unit in October 2016, for €11 million (cash and loan notes).
- 5.25 These divestments were undertaken to help the Group increase its focus on areas of core capability and reduce business portfolio complexity, permitting it to concentrate its operations in markets with the most attractive long term potential. The Group is also commencing a review of the breadth and shape of the Group's business portfolio during 2017.

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 became a public company and 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 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 7 per cent. of Group revenue for the year ended 31 December 2016.

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**) considerations into its core business processes. Cobham has a focus on business ethics, responsible supply chain management, health and safety, environmental sustainability, talent management – including developing and enhancing the critical skills and capabilities of its employees, human rights and diversity and inclusion.
- 8.2 The Group's approach to corporate responsibility and sustainability (**CR&S**) is developed and implemented by a central team and overseen by a dedicated CR&S committee. Stakeholders are actively engaged by the CR&S 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 of critical importance, 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 suspected violations. In addition, Cobham policy requires third party intermediaries to undergo comprehensive due diligence and approval process prior to engagement, with continuous real-time due diligence monitoring.
- 8.4 In addition to its existing anti-corruption and responsibility programme, the Group's Responsible Supply Chain Management (**RSCM**) policy is to prefer suppliers that demonstrate responsible and sustainable business practices. The Group's approach is to consider how suppliers address risks that could impact their ability to supply the Group or impact the Group's reputation on a risk prioritised basis. The Group publishes the RSCM on its website and expects all suppliers to comply with this code.

Environmental impact

- 8.5 The Group's most significant environmental impacts include greenhouse gas emissions (**GHG**) from burning aviation fuel in the delivery of customer contracts, with an impact also from electricity and fuel use GHG emissions from its facilities and its global supply chain. In addition, there is an impact from the size, weight and power efficiency of Cobham's products upon the fuel burn and GHG emissions of its customers' aerospace platforms. 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. Other significant environmental factors affecting the Group are the potential for adverse weather events such as flooding and wildfire interrupting its facilities and its supply chain, and increasingly stringent environmental legislation, taxes and evolving customer requirements.

- 8.6 Measures used to minimise the environmental impacts from 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; (d) reinforcing business continuity measures and effective emergency response planning, in preparation for adverse weather events and natural disasters and (e) aligning the Group’s environmental standards to ISO14001 and encouraging business units to certify to these standards.
- 8.7 On a like-for-like basis, facility energy intensity (MWh per £1 million revenue) decreased by 18 per cent. in 2016 compared to 2015 as the result of the implementation of the measures set out above, as well as from the divestment, closure and integration of sites.

Working environment

- 8.8 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.
- 8.9 As at 31 December 2016, 4 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 a commitment to reach five per cent. by 2019. The Group also continues to roll out its Level 3 Institute of Leadership and Management accredited line management training and has launched its Level 5 programme to support its senior management population. Cobham will continue to invest in its training and development programmes going forward.
- 8.10 The Group intends to review its reporting structures in 2017, including its internal processes and the allocation of responsibilities, as it believes these have become overly complex and unclear which has ultimately impacted employee morale.
- 8.11 The Group understands the need to attract the best individuals in a competitive market place and therefore strives to access the widest available talent pool, encouraging the development of a diverse workforce. It looks to ensure that its workforce is representative of society, its key customers and those of its suppliers. In 2016, calculated in accordance with the statutory definition, female employees made up 27 per cent. of the Group’s workforce, with 19 per cent. female representation at senior management level and 22 per cent. at Board level.
- 8.12 The Group recognises that human rights are increasingly important to the way businesses are run, with growing requirements to comply with legislation and to respond to customer enquiries and standards. In 2016, Cobham issued an Anti-Slavery and Human Trafficking Policy which opposes modern slavery and trafficking in all its forms, while putting in place systems and controls to ensure modern slavery does not take place anywhere within its operations or in its supply chains. In accordance with its legal obligations, the Group will publish for the first time on its website in 2017 its progress relating to this aspect of human rights.
- 8.13 The provision of a safe working environment is critical for the Group, and it promotes a continuous improvement health and safety culture that seeks to minimise injury and illnesses in the workplace and promotes employee wellbeing. Across the Group, there is a “zero harm” approach, which was driven by the application of an enhanced safety, health and environment (SHE) programme during 2016, with newly documented standards setting Group-wide expectations for risk management. All sites are now measured annually against the standards with testing through self-assessment, peer-to-peer auditing and external audit. Accountability for this approach lies with line management and this is monitored by a steering committee with Board oversight.
- 8.14 The Group uses a combination of leading and lagging indicators to measure SHE performance. Leading indicators are used to drive correct behaviours, including training, risk assessments, inspections and incident reporting while lagging indicators measure effectiveness of the approach, including the incidence and severity of workplace injuries and illness. All the leading indicators met their respective targets, while there was some improvement to lagging indicators including the recordable injury and illness incident rate falling in the year ended 31 December 2016 to its lowest level for more than seven years at 0.93 (number of cases requiring more than first aid per 100,000 full time equivalent employees). However, there was a deterioration in the major accident incident rate in the year ended 31 December 2016 to 414 (the number of

cases resulting in three or more days lost time per 100,000 full time equivalent employees), which was partly attributable to improved reporting but also related to the loss of some key SHE personnel during the year. The Group will look to improve this performance in 2017. The Group recorded no fatalities in the year ended 31 December 2016.

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 ITAR approvals;
 - (b) health and safety approvals; and
 - (c) environmental permits.
- 9.3 As a supplier of specialist outsourced aviation services for military, government 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 United Kingdom and the State Department in the United States, 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 UK, RoW 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 in, and development of, its core technologies, capabilities and products. The Group's 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 enabling the long-term strategic plan by aligning its investment with developing products and services in attractive markets where there are growth opportunities, including avionics, aerospace, defence, SATCOM, wireless and microelectronics. In total, the Group invested £251 million in 2016, which includes amounts funded by its customers pursuant to specific programmes and contracts.
- 10.2 The Group continues to invest in a wide range of 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 Aviator S series of products enabling advanced Inmarsat SwiftBroad services for commercial aviation; delivering a FANS-1/A compliant solution for advanced safety, fleet management, air traffic control, and voice and data communications features. For avionics and radio test customers, Cobham has developed a fully-integrated Software Controlled Architecture (SCA) platform that supports the entire SCA lifecycle, from simulation through development, emulation, and production and field test. The modular AXIe system allows various plug and play configurations of transceivers, central processing units, graphics processing units, digital signal processors, and field-programmable gate arrays delivering a flexible, configurable and scalable architecture to meet existing and future customer needs. 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 both a long term extension from an existing customer and a significant new award from another major airline on the Boeing 737NG aircraft. For defence electronics, the Group's investments support, inter alia, 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. The Group has also developed RF interference cancellation technologies to enable communication and navigation systems to

operate in the presence of countermeasures and inadvertent jamming. Longer term research includes development of enabling capabilities for autonomous air-to-air refueling and the insertion of emerging technologies and capabilities such as additive manufacturing to reduce product development lead times and to improve product performance.

- 10.3 The identification and protection of intellectual property (**IP**) is an important aspect of the business of the Group. To promote the creation of IP, support the proactive management of the Group's substantial patent portfolio, and optimise the benefits of the portfolio, an IP policy has been established with its implementation led by a central team drawn from across the four Sectors. The Group has patents registered in the United States, the European Union and across Asia, ranging from electronics and semi-conductors, to fluid and gas management and aeronautical engineering. Additional intellectual property assets include registered trademarks and trade secrets.

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>
Michael Wareing	(Non-Executive Chairman)	9 Feb 1954
David Lockwood	(Chief Executive Officer, Executive Director)	23 March 1962
David Mellors	(Chief Financial Officer, Executive Director)	12 October 1968
Jonathan Flint	(Senior Independent Non-Executive Director)	8 Feb 1961
Alan Semple	(Independent Non-Executive Director)	29 Sep 1959
Alison Wood	(Independent Non-Executive Director)	28 Jun 1963
Michael Hagee	(Independent Non-Executive Director)	1 Dec 1944
Birgit Nørgaard	(Independent Non-Executive Director)	9 Jul 1958

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

Michael Wareing – Non-Executive Chairman

Michael worked for KPMG from 1973 until 2009 when he retired. Between 2005 and 2009, he held a number of senior executive positions, including International Chief Executive Officer of KPMG, Chairman of KPMG International Executive Team and Chairman of KPMG Iberoamerica Board. He previously served as Audit Committee Chair for Cobham, and chaired Not For Profit organisations, including Business in the Community International, and two roles on behalf of the British Government, namely as the Prime Minister's Envoy for Reconstruction in Southern Iraq and the Economic Development Adviser to the Government of Afghanistan. Michael retired from his role as Non-Executive Director and Chairman of the Audit Committee of Wolseley plc in November 2014. Michael was Senior Independent Non-Executive Director of the Company until taking over as Chairman on 1 January 2017.

David Lockwood – Chief Executive Officer, Executive Director

David was formerly the Chief Executive of Laird plc, the FTSE 250 global technology company, a position he had held since 2012. Previously, David was Vice President Global Defence and Security at BT Global Services. David has also held senior management positions with Thales Group, Intense Limited and BAE Systems plc. He has held Non-Executive Director and Chairman positions with WFEL Limited, Photonix Ltd and the Scottish Government's Technology Advisory Group, and was previously the Non-Executive Chair of Knowledge Transfer Network Limited, a vehicle established to support the work of Innovate UK, the United Kingdom's innovation agency which is sponsored by the UK Government Department of Business, Innovation and Skills (BIS). David has a BA (Hons) in Mathematics from the University of York and is a Chartered Accountant. He is a fellow of the Royal Society of Arts and Commerce (RSA) and in 2005 was awarded as the Scottish Entrepreneur of the Year for Technology. In the 2001 Queen's Birthday Honours, David was awarded the OBE for services to industry in Scotland. David was appointed as Chief Executive Officer of the Company from 14 December 2016.

David Mellors – Chief Financial Officer, Executive Director

David was formerly CFO of QinetiQ Group plc, the FTSE 250 science and engineering group operating primarily in the defence, security and aerospace markets, a position which he held from 2008 and was interim Chief Executive for a period during 2015. Previously, David was Deputy Chief Financial Officer of Logica plc. Prior to that, he was Chief Financial Officer of Logica's international division, covering operations in North Africa, Australia, the Middle East and Asia, and prior to that he was the Group Financial Controller. His earlier experience includes various roles with CMG plc, Rio Tinto plc and Price Waterhouse, now PwC. David is a member of the Institute of Chartered Accountants in England and Wales and also holds a degree in Physics from Oxford University. David was appointed as Chief Financial Officer of the Company from 1 January 2017.

Jonathan Flint – Senior Independent Non-Executive Director

Jonathan 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 is a physics graduate from Imperial College and was made a CBE in 2012. Jonathan was appointed as Senior Independent Non-Executive Director from 1 January 2017.

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 and retired from in May 2015. Prior to this, he held a number of senior finance roles in Wood Group plc 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.

Alison Wood – Independent Non-Executive Director

Alison is engaged with a mix of not for profit and non-executive activities in the United Kingdom 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 United Kingdom and the United States. She has held two previous Non-Executive Directorships with BTG plc from 2004 to 2008 and THUS plc from 2007 to 2008. Alison will cease to be the Senior Independent Director and Chair of the Remuneration Committee of e2v technologies plc (e2v) when the sale of e2v is completed, which is expected to occur on or about 28 March 2017.

Michael Hagee – Independent Non-Executive Director

Michael 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. Michael retired from his role as Non-Executive Director of Remington Outdoor Company Inc. in February 2015.

Birgit Nørgaard – Independent Non-Executive Director

Birgit currently holds a number of non-executive roles in the private and public sectors in the United Kingdom 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 is an economics graduate from Copenhagen Business School and has an MBA from INSEAD. Birgit has been recommended for appointment as a Non-Executive Director of NCC AB at its annual general meeting on 5 April 2017.

2. Corporate Governance

The UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 (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 eight individuals, being the Chairman, two Executive Directors and five 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 2016, except David Lockwood, who joined the board on 14 December 2016, and David Mellors, who joined the Board on 1 January 2017.

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 Jonathan Flint. 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 Michael 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 Guidance and Transparency Rules and the UK Corporate Governance Code. The terms of reference of the Audit Committee, which were reviewed and updated in December 2016 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 and Birgit Nørgaard. Michael Wareing ceased to be a member of the Remuneration Committee upon appointment as Chairman on 1 January 2017. The Remuneration Committee remains quorate with two members and, in the interim until new non-executive directors are recruited, the Remuneration Committee Chair will consult with the Senior Independent Non-Executive Director and the other Board member for key remuneration decisions. 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 levels 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 Michael Wareing, Jonathan Flint, Alan Semple, Alison Wood, Michael Hagee and Birgit Nørgaard. The Nomination Committee is chaired by Michael Wareing.

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 has adopted a code on dealings in relation to Cobham's securities to ensure that, amongst other things, the Directors and certain employees of the Company comply with the requirements of the Disclosure Requirements. The Company requires the Directors and other persons discharging managerial responsibilities (**PDMRs**) within the Group to comply with Cobham's securities dealing code, and takes all proper and reasonable steps to secure their compliance, such as monitoring the relevant individuals' compliance with the code. In addition, the Company has adopted a dealing policy which requires all employees, including PDMRs, not to deal in any of Cobham's securities if the individual is in possession of inside information about the Group.

Under the dealing code, the Directors and certain employees must not deal for themselves or for anyone else, directly or indirectly, in Cobham's securities without obtaining prior written clearance from the Company. A Director or employee must submit a written request for permission by e-mail to the company secretary before dealing in shares of the Company, stating amongst other things whether the trade is to buy or sell shares and how many shares they wish to trade. Applications for clearance may not be submitted if the Director or employee is in possession of inside information. If an individual becomes aware that he/she is or may be in possession of inside information after submitting an application, he/she must inform the Company secretary as soon as possible and must refrain from dealing.

Dealing will be prohibited during closed periods, for example from the half year or full year end to the date that the half or full year results are announced. The Company is not obliged to provide any reason if an individual is refused permission to deal. In addition, any refusal must be kept confidential. If clearance is given, the dealing must take place as soon as possible and in any event within two business days of receiving clearance. Clearance to deal may be given subject to conditions.

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 2016, 2015 and 2014. 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 financial information incorporated by reference in this Prospectus (see Part VI: "Information Incorporated by Reference").

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

	Year ended 31 December		
	2016 (audited)	2015 (audited) (£ in millions)	2014 (audited)
Revenue	1,943.9	2,072.0	1,851.7
Cost of sales	(1,567.3)	(1,408.2)	(1,290.1)
Gross profit	376.6	663.8	561.6
Selling and distribution costs	(134.5)	(130.1)	(100.3)
Administrative expenses	(1,021.2)	(521.7)	(403.7)
Operating (loss)/profit	(779.1)	12.0	57.6
Finance income	4.1	5.2	6.4
Finance costs	(72.9)	(57.0)	(39.7)
(Loss)/profit before taxation	(847.9)	(39.8)	24.3
Taxation	52.8	2.1	4.7
(Loss)/profit after taxation for the year	(795.1)	(37.7)	29.0
Attributable to:			
Owners of the parent	(795.2)	(37.8)	28.8
Non-controlling interests	0.1	0.1	0.2
	(795.1)	(37.7)	29.0
Earnings per ordinary share			
Basic	(52.8)p	(2.8)p	2.2p
Diluted	(52.8)p	(2.8)p	2.2p

Underlying operating profit (previously called trading profit) is calculated as follows:

Operating (loss)/profit	(779.1)	12.0	57.6
Adjusted to exclude:			
Business restructuring	(8.7)	67.5	52.2
Derivative financial instruments	39.3	18.8	21.8
Amortisation of intangible assets arising on business combinations	161.2	176.8	113.6
Other business acquisition and divestment related items	1.7	30.5	40.7
<i>Exceptional items:</i>			
Impairment of goodwill and other intangible assets	573.8	26.6	—
Revisions of the carrying values of other assets	33.3	—	—
Estimates of fixed price contract profitability	179.1	—	—
Assessment of legal and other provisions	24.4	—	0.8
Underlying operating profit	225.0	332.2	286.7
Underlying EPS⁽¹⁾	9.0p	16.5p	15.7p

Notes:

- (1) Underlying EPS figures for the years ended 31 December 2015 and 2014 have been restated to reflect the bonus element of the 2016 Rights Issue.

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2016	2015	2014
	(audited)	(audited)	(audited)
	(£ in millions)		
(Loss)/profit after taxation for the year	(795.1)	(37.7)	29.0
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of defined benefit retirement benefit obligations	(42.6)	29.6	(27.7)
Actuarial loss on other retirement benefit obligations	(1.2)	—	(0.7)
Tax effects	8.9	(5.9)	5.0
	(34.9)	23.7	(23.4)
Items that may subsequently be reclassified to profit or loss			
Net translation differences on investments in overseas subsidiaries	41.3	(38.2)	(18.7)
Reclassification of cash flow hedge fair values	1.6	1.1	1.3
Hedge accounted derivative financial instruments	(2.8)	—	1.6
Tax effects	0.4	(0.2)	(0.9)
	40.5	(37.3)	(16.7)
Other comprehensive income/(expense) for the year	5.6	(13.6)	(40.1)
Total comprehensive expense for the year	(789.5)	(51.3)	(11.1)
Attributable to:			
Owners of the parent	(789.6)	(51.4)	(11.3)
Non-controlling interests	0.1	0.1	0.2
	(789.5)	(51.3)	(11.1)

Consolidated Balance Sheet

	As at 31 December		
	2016 (audited)	2015 (audited)	2014 (audited) (restated)
	(£ in millions)		
Assets			
Non-current assets			
Intangible assets	1,165.9	1,729.5	2,040.8
Property, plant and equipment	422.9	379.9	390.0
Investment properties	3.6	4.3	10.4
Investments in joint ventures and associates	3.6	3.0	3.1
Trade and other receivables	66.0	71.3	51.1
Other financial assets	6.1	6.1	6.1
Deferred tax	42.3	11.4	10.5
Derivative financial instruments	19.7	6.5	7.6
	1,730.1	2,212.0	2,519.6
Current assets			
Inventories	405.3	410.4	429.5
Trade and other receivables	409.8	366.0	435.3
Current tax receivables	3.1	8.6	0.4
Derivative financial instruments	8.5	9.1	8.7
Cash and cash equivalents	236.2	294.7	225.6
Assets classified as held for sale	—	16.8	2.1
	1,062.9	1,105.6	1,101.6
Liabilities			
Current liabilities			
Borrowings	(60.9)	(156.4)	(1.5)
Trade and other payables	(430.8)	(398.1)	(505.5)
Provisions	(180.6)	(74.3)	(60.5)
Current tax liabilities	(149.5)	(125.1)	(119.2)
Derivative financial instruments	(42.2)	(30.6)	(20.7)
Liabilities associated with assets classified as held for sale	—	(12.7)	—
	(864.0)	(797.2)	(707.4)
Non-current liabilities			
Borrowings	(1,203.5)	(1,345.1)	(1,446.8)
Trade and other payables	(31.5)	(24.8)	(36.2)
Provisions	(57.3)	(68.2)	(66.5)
Deferred tax	(27.6)	(102.0)	(134.5)
Derivative financial instruments	(32.2)	(13.9)	(15.5)
Retirement benefit obligations	(87.0)	(56.7)	(102.0)
	(1,439.1)	(1,610.7)	(1,801.5)
Net assets	489.9	909.7	1,112.3
Equity			
Share capital	44.6	30.4	30.4
Share premium	778.3	301.9	301.9
Other reserves	37.9	(0.3)	42.7
Retained earnings	(372.0)	576.8	736.4
Total equity attributable to the owners of the parent	488.8	908.8	1,111.4
Non-controlling interests in equity	1.1	0.9	0.9
Total equity	489.9	909.7	1,112.3
Net debt	(1,028.2)	(1,206.8)	(1,222.7)

Consolidated Statement of Changes in Equity

(£ in millions)	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 2014	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
(Loss)/profit for the year	—	—	—	(795.2)	(795.2)	0.1	(795.1)
Items that will not be reclassified subsequently to profit or loss	—	—	—	(34.9)	(34.9)	—	(34.9)
Items that may subsequently be reclassified to profit or loss	—	—	40.5	—	40.5	—	40.5
Total comprehensive income/ (expense) for the year (audited)	—	—	40.5	(830.1)	(789.6)	0.1	(789.5)
Issue of shares, net of costs	14.2	476.4	—	—	490.6	—	490.6
Proceeds on allocation of treasury shares	—	—	—	2.3	2.3	—	2.3
Dividends	—	—	—	(126.1)	(126.1)	—	(126.1)
Share based payments	—	—	3.8	—	3.8	—	3.8
Transfer of other reserves to retained earnings	—	—	(5.1)	5.1	—	—	—
Tax effects	—	—	(1.2)	—	(1.2)	—	(1.2)
Foreign exchange adjustments	—	—	0.2	—	0.2	0.1	0.3
Total equity at 31 December 2016 (audited)	44.6	778.3	37.9	(372.0)	488.8	1.1	489.9

Consolidated Cash Flow Statement

	Year ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	(£ in millions)		
Operating (loss)/profit	(779.1)	12.0	57.6
Non-cash items:			
Share of post-tax profits of joint ventures and associates	(0.2)	(0.2)	(0.2)
Depreciation and amortisation	248.1	254.4	190.8
Impairment of goodwill and intangible assets	573.8	26.6	—
Loss/(Profit) on sale of property, plant and equipment	4.4	(1.4)	(0.3)
Business acquisition and divestment related items	1.7	27.3	23.8
Derivative financial instruments	39.3	18.8	21.8
Pension contributions in excess of pension charges	(16.7)	(17.8)	(16.9)
Share based payments	3.8	(3.0)	6.1
Operating cash movements:			
Decrease/(increase) in inventories	50.8	(34.6)	(11.9)
Decrease/(increase) in trade and other receivables	21.9	19.1	(68.3)
(Decrease)/increase in trade and other payables	(9.7)	(38.6)	17.3
Increase in provisions	87.9	7.4	12.9
Tax paid	(20.1)	(31.5)	(37.0)
Interest paid	(74.7)	(53.0)	(31.5)
Interest received	3.5	3.6	3.7
Net cash from operating activities	134.7	189.1	167.9
Cash flows from investing activities			
Purchase of property, plant and equipment	(82.8)	(97.8)	(63.7)
Purchase of intangible assets	(9.1)	(18.6)	(12.4)
Capitalised expenditure on intangible assets	(0.3)	—	—
Proceeds on disposal of property, plant and equipment	6.1	17.7	2.3
Investment in loan notes	—	—	(9.0)
Acquisition of subsidiaries net of cash or debt acquired	(1.4)	(52.6)	(846.1)
Contingent consideration paid	—	—	(28.5)
Proceeds of business divestments	1.0	205.2	6.6
Net cash (used in)/from investing activities	(86.5)	53.9	(950.8)
Cash flows from financing activities			
Issue of share capital	490.6	—	176.8
Dividends paid	(126.1)	(122.1)	(108.3)
Purchase of treasury shares	—	(29.3)	(5.5)
Proceeds on allocation of treasury shares	2.3	4.4	8.8
New borrowings	9.9	257.9	1,467.5
Repayment of borrowings	(497.0)	(271.0)	(699.9)
Net cash (used in)/from financing activities	(120.3)	(160.1)	839.4
Net (decrease)/increase in cash and cash equivalents	(72.1)	82.9	56.5
Exchange movements	14.3	(13.2)	(31.2)
Cash and cash equivalents at start of year	294.0	224.3	199.0
Cash and cash equivalents at end of year	236.2	294.0	224.3

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” and Part XI: “Business Overview of the Cobham Group” in this Prospectus and with the financial information incorporated by reference herein (see Part VI “Information Incorporated by Reference”).

The financial information for the year ended 31 December 2016 considered in this Part XIV is extracted without material adjustment from the 2016 Annual Report and Accounts which are incorporated by reference in Part VI “Information Incorporated by Reference” of 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 VI “Information Incorporated by Reference” 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 VI “Information Incorporated by Reference” 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. Prospective investors should read the entire document and not just rely on the information set out below.

Overview

The Group is an international technology and services business, employing 10,692 people as at 31 December 2016, primarily in the United States, the United Kingdom, continental Europe and Australia. It has customers and partners in more than 100 countries. The Group offers products and services to solve challenging problems across defence, security, aerospace and other commercial markets. It has leading market positions in: defence electronics; air-to-air refuelling; aviation services; life support and mission equipment; and wireless, audio, video and data communications, including satellite communications. The Group operates in four Sectors:

- *Mission Systems* – provides safety, survival and mission critical systems and sub-systems, including aircraft oxygen and fuel tank inerting systems for extreme environments, aerial refuelling systems and weapons carriage and release systems and missile control actuation sub-systems for fast jets, transport aircraft and rotorcraft;
- *Advanced Electronic Solutions* – 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 encompasses defence, including missile, radar and electronic warfare, X-ray imaging, medical and industrial markets;
- *Communications and Connectivity* – 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; and
- *Aviation Services* – delivers outsourced aviation services for military, government 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 2016, the Group reported underlying operating profit of £225 million (2015: £332 million; 2014: £287 million) on revenue of £1,944 million (2015: £2,072 million; 2014: £1,852 million). As at 31 December 2016, the Group’s net debt was £1,028 million.

Significant factors affecting the Group's results of operations and financial position

The Group's results of operations and financial position 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 and 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. 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. Short term fluctuations in demand affecting shorter 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 shorter cycle commercial markets, including the maritime SATCOM and wireless businesses with subdued market conditions being driven primarily by reduced underlying demand in Asia-Pacific, weakness in 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 decreasing demand, which has resulted in an excess of capacity in that market, leading to pressure on pricing and reduced flying activity. In addition, there were additional costs and deferred revenue in a small number of development programmes in the Advanced Electronic Solutions Sector.

Defence spending

The Group's results of operations are in part dependent on contracts awarded to the Group, which in turn are driven by 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.

DoD funding levels, which are subject to budget and appropriation decisions and processes, are difficult to predict beyond the near-term. Spending caps on DoD funding imposed by the BCA have been raised several times, most recently by the BBA for fiscal years 2016 and 2017. DoD modernisation funding, which consists of procurement and research and development, test and evaluation budget lines, is expected to reach US\$184 billion in fiscal year 2017. The U.S. House of Representatives passed the fiscal year 2017 defence appropriations bill on 8 March 2017, which is now subject to Senate approval. DoD funding levels for fiscal year 2018 through 2021 remain governed by the BCA, and any change to those funding levels would require Congress to enact legislation. If the BCA caps are not amended, fiscal year 2018 total DoD funding would be a similar amount to fiscal year 2016 funding, before gradually rising thereafter.

Defence spending in UK, RoW defence and 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 increased 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. It has outlined its strategic priorities in the "National Security Strategy and Strategic Defence and Security Review 2015", published in November 2015, and subsequently reviewed these priorities in the "National Security Strategy and Strategic Defence and Security Review 2015: First Annual Report 2016", published in December 2016. 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 levels in defence and 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 a 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 2016, the Group's order intake decreased to £2,084 million from £2,148 million in 2015. However, the Group's order intake benefitted from the receipt of a significant contract extension in the Aviation Services Sector in the first half of 2016, specifically a contract to continue operations across Australia for Qantas until 2026.

As at 31 December 2016, the Group's order book stood at £2,946 million, compared to £2,477 million in 2015. Orders due for delivery in the current year are £1,302 million, an increase of 15 per cent. on the prior year, but an increase of 3 per cent. after adjusting for divestments and currency translation impact.

In addition, the composition of the Group's order book can have a significant impact on the Group's results during a given reporting period, as orders are converted into revenue. For example, the Group has recently experienced lower antenna systems and SATCOM volumes, and this change in revenue mix has had an impact on the Group's underlying operating margin in its Communications and Connectivity Sector. In addition, the Aviation Services Sector's Qantas contract extension is at a lower margin than the contract it replaced, which is expected to impact underlying operating profit in the Sector in 2017. The overall mix of the Group's order book can therefore have a significant impact on the Group's revenue during a given period, and a significant shift from higher margin activity to lower margin activity can directly impact the Group's underlying operating profit.

A significant proportion of the Group's costs, such as payroll, facilities maintenance and debt service obligations are fixed or semi 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. During the year ended 31 December 2016, the Group's book-to-bill ratio was 1.07x, compared to 1.04x in 2015. Excluding the Aviation Services Sector, which is characterised by the receipt of large multi-year orders, the Group's book-to-bill was 0.99x in 2016, compared to 1.09x in 2015.

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 Schuldschein and additional bank funding, of which US\$185 million was repaid during 2016 and the Schuldschein borrowings remain outstanding with repayment tranches in 2020 and 2022. On 17 June 2016, Cobham completed its fully underwritten 1 for 2 rights issue. The rights issue raised gross proceeds of £507 million, amounting to £491 million after expenses. The Group swapped the net sterling proceeds of the rights issue into U.S. dollars at approximately US\$1.45/£, and this was used to repay certain U.S. dollar denominated borrowings. These repayments comprised US\$523 million of variable rate debt and US\$158 million of fixed rate senior notes, including £19 million of make-whole payment, with an average coupon of approximately 7 per cent. on the senior notes.

As at 31 December 2016, the Group recorded a total non-cash impairment of goodwill and other intangible fixed assets of £574 million, a significant proportion of which related to goodwill arising from the Aeroflex acquisition. The integration process was largely completed as at 31 December 2016 and no incremental integration benefits are expected in 2017.

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;

- the Metelics business unit in December 2015, for US\$38 million;
- the Group’s surveillance business in January 2016, for US\$10 million; and
- the Telerob robotics business unit in October 2016, for €11 million (cash and loan notes).

Although resulting in earnings dilution, these divestments have reduced business portfolio complexity, permitting 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.

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, euros, 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.

On 23 June 2016, the United Kingdom held a referendum in which British citizens approved an exit from the European Union, commonly referred to as “Brexit”. As a result of the referendum, there has been a decline in the value of sterling as compared to the U.S. dollar and the euro and volatility in exchange rates may continue as the United Kingdom negotiates its exit from the European Union.

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		
	2016	2015	2014
US\$/£	1.35	1.53	1.65
A\$/£	1.83	2.03	1.83
€/£	1.22	1.38	1.24
DKK/£	9.11	10.27	9.25

Foreign exchange translation exposure arises on the earnings of certain of Cobham’s operating companies which are largely based in the United States, Europe and Australia. These are partially offset by foreign currency denominated interest costs as the Group has generally funded acquisitions with borrowings denominated in the same currency. This has provided a partial hedging of foreign currency denominated profits.

The Group’s 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 U.S. dollar translation impacts increased following the acquisition of Aeroflex in 2014.

A combined movement in the average exchange rates over one year’s trading for the currencies above equivalent to a one U.S. dollar cent move against the pound sterling would have had a £1.1 million impact on Group profit before tax in 2016. The Group estimates that the U.S. dollar accounts for approximately two thirds of this impact.

The Group also has foreign exchange transaction exposure, which primarily relates to the U.S. dollar and the Danish krone, but includes some other smaller exposures. Approximately 93 per cent. of the Group’s anticipated transaction exposure in 2017 to the U.S. dollar/pound sterling exchange rate is hedged at an average rate of US\$1.42/£1, with additional hedging in place to partially cover anticipated exposure in subsequent years. 68 per cent. of the U.S. dollar/Danish krone exposure in 2017 is hedged at an average rate of US\$1/DKK6.76, with modest additional hedging in place to partially cover anticipated exposure in subsequent years.

2016 balance sheet review

Following a balance sheet review, the Group made a number of adjustments for the year ended 31 December 2016, resulting in impairments of goodwill and intangible assets, revisions of the carrying values of other assets, estimates of fixed price contract profitability and an assessment of legal and other provisions. These adjustments have been treated as exceptional items in the 2016 Annual Report and Accounts.

As at 31 December 2016, the Group recognised a total non-cash impairment of goodwill and other intangible fixed assets of £574 million consisting of charges against:

- the wireless business unit, within the Communications and Connectivity Sector, where there was an impairment of goodwill and intangible assets of £196 million. This unit includes part of the Aeroflex acquisition in 2014 and Axell Wireless in 2013;
- the integrated electronic solutions business unit, part of the Advanced Electronic Solutions Sector, where there was an impairment of goodwill of £186 million. This unit includes the Lansdale business acquired in 2009, part of the M/A-COM business also acquired in 2009, the Trivec business acquired in 2011 and part of the Aeroflex acquisition in 2014; and
- the semiconductor solutions business unit, also within the Advanced Electronic Solutions Sector, where there was an impairment of £192 million. This unit includes part of the Aeroflex acquisition in 2014.

A charge of £33 million has been taken against the carrying values of other assets. This includes £20 million against inventory balances reflecting ageing stock and lower demand forecasts; £4 million against intangible assets no longer planned to be used; £4 million tangible asset write down against plant and machinery and similar items no longer expected to be used; and £5 million provision against aged receivables considered doubtful. These changes to asset carrying values were identified following a detailed review and reassessment of recovery of generally older items to a more cautious standard.

In total, a charge of £179 million has been taken against estimates of fixed price contract profitability including KC-46. This reflects increased estimates of costs to complete and, in some cases, lower recovery from customers. The Board recognises that making estimates on complex contracts is inherently judgemental and therefore whilst it has taken a reasonable view of contract positions at present, the final outcome of the contracts could be more or less favourable than the position taken. As described in Part II: *“Risk Factors – Risks relating to the business of the Group – 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 the Group’s business, results of operations, financial condition and prospects,”* the Group’s future profitability and cashflows are partially dependent on the achievement of contractual milestones and delivery schedules associated with its development contracts. The charges booked can be broadly categorised as £150 million against KC-46; £18 million on other development contracts within the Mission Systems Sector; £8 m on development contracts within the Advanced Electronic Solutions Sector; and £3 million within the Communications and Connectivity Sector.

Legal and other provisions of £24 million have been made to cover the estimated exposure on a number of legal, environmental, warranty and other regulatory matters across the Group.

The adjustments for the estimates of fixed price contract profitability and legal and other provisions are expected to be cash affecting over the next two to three years.

Key performance indicators and other operating metrics

During 2016, the Group tracked a number of key performance indicators and other operating metrics in managing its business. These key performance indicators and other operating metrics include non-IFRS measures. Accordingly, they should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated 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 and other operating metrics 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 and other operating metrics for the periods indicated:

	For the year ended 31 December		
	2016	2015	2014
Revenue (£ in millions)	1,944	2,072	1,852
Organic revenue growth (%)	(8)	(1)	(2)
Underlying operating profit (£ in millions)	225	332	287
Underlying operating margin (as a percentage of revenue) (%) . .	11.6	16.0	15.5
Underlying EPS (pence) ⁽¹⁾	9.0	16.5	15.7
Operating cash conversion (%)	81	71	73
Return on invested capital (%)	8	11	12
PV investment (%)	8	8	7
On-time delivery (%)	86	90	86
Staff safety – major accident incident rate ⁽²⁾	414	269	423

Notes:

- (1) Underlying EPS figures for the years ended 31 December 2015 and 2014 have been restated to reflect the bonus element of the 2016 Rights Issue.
- (2) Major accident incident 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 2016 compared to the year ended 31 December 2015 – Revenue” and “– Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Revenue” 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:

	Mission Systems	Advanced Electronic Solutions	Communications and Connectivity	Aviation Services	Eliminations and Head Office	Group
	(£ in millions)					
2016						
Revenue	386	512	690	357	(1)	1,944
Acquisitions and divestments	(6)	(49)	(114)	—	2	(167)
Currency translation	38	69	69	25	(1)	200
Organic growth	(28)	(46)	(37)	(58)	8	(161)
2015						
Revenue	382	538	772	390	(10)	2,072
Acquisitions and divestments	—	128	112	—	(5)	235
Currency translation	15	32	(10)	(25)	—	12
Organic growth	33	(32)	(27)	3	(4)	(27)
2014						
Revenue	334	410	697	412	(1)	1,852
Acquisitions and divestments	—	60	82	46	(15)	173
Currency translation	(12)	(19)	(26)	(27)	(1)	(85)
Organic growth	(12)	(3)	(37)	28	(2)	(26)

See “– Results of operations – Results of operations for the year ended 31 December 2016 compared to the year ended 31 December 2015 – Revenue”, “Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Revenue” and “Segmental reporting – Segmental results of operations” below.

The Board believes organic revenue growth represents the Group's best measure of the underlying revenue performance of the Group. By excluding the impact of foreign exchange movements and acquisition and divestment activity, organic revenue growth presents the actual growth within each Sector that forms part of the Group.

Underlying operating profit, underlying operating margin and underlying EPS

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

Underlying operating profit and underlying operating 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 2016 compared to the year ended 31 December 2015 – Underlying operating profit and underlying operating margin”, “– Results of operations – Results of operations for the year ended 31 December 2015 compared to the year ended 31 December 2014 – Underlying operating profit and underlying operating margin” and “Segmental reporting – Segmental results of operations” below.

The Group defines underlying EPS as (loss)/profit after 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		
	2016	2015	2014
	(£ in millions, except as noted)		
(Loss)/profit before taxation	(848)	(40)	24
<i>Adjusted for:</i>			
Total operating reconciling items	1,004	320	230
Non-underlying finance costs	19	—	3
Underlying profit before taxation	175	280	257
Taxation charge on underlying profit	(40)	(60)	(52)
Underlying profit after taxation	135	220	205
Underlying EPS (pence)⁽¹⁾	9.0	16.5	15.7

Notes:

(1) Underlying EPS figures for the years ended 31 December 2015 and 2014 have been restated to reflect the bonus element of the 2016 Rights Issue.

Underlying EPS decreased by 45 per cent. (52 per cent. at constant currency) to 9.0 pence in the year ended 31 December 2016, from 16.5 pence in the year ended 31 December 2015, primarily reflecting the lower level of underlying operating profit achieved in the year and included a reduction of 12 per cent. from the higher share count following the 2016 Rights Issue, partially offset by a favourable foreign exchange impact.

Underlying EPS increased by 5 per cent. (7 per cent. at constant currency) to 16.5 pence in the year ended 31 December 2015, from 15.7 pence in the year ended 31 December 2014. The primary drivers of this increase were 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 operating profit and underlying EPS are considered by the Board to be the most meaningful measures under which to assess the operating performance of the Group and provide additional useful information on underlying trends to shareholders. These non-IFRS measures do not include the impact of certain non-recurring items which are not considered to reflect the day-to-day operating results of the Group. As the Group has been acquisitive over time, these measures include certain accounting treatments and adjustments credits that do not result from the underlying business activity. Given the nature and size of these items, the Board believes that earnings trends are better understood by separately identifying such amounts as exceptional.

Underlying measures are therefore considered to provide a more comparable view year-on-year, having removed the distorting effects of the excluded items which are more clearly understood when presented separately.

Operating cash conversion

The Group defines operating cash conversion as operating cash flow expressed as a percentage of underlying operating profit. See “– *Underlying operating profit, underlying operating margin and underlying EPS*” above for a definition of underlying operating profit and see “*Results of operations*” below for a reconciliation of underlying operating 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		
	2016	2015	2014
	(£ in millions, except as %)		
Underlying operating profit	225	332	287
<i>Less:</i>			
Depreciation, amortisation and other items	68	68	83
Pension contributions in excess of service cost and administration cost	(17)	(18)	(17)
Increase in working capital	(8)	(49)	(71)
Net capital expenditure	<u>(86)</u>	<u>(98)</u>	<u>(74)</u>
Operating cash flow	182	235	208
Operating cash conversion (%)	81	71	73

Operating cash conversion was 81 per cent. in the year ended 31 December 2016, as compared with 71 per cent. in the year ended 31 December 2015. Operating cash conversion was higher in the year ended 31 December 2016 primarily due to lower levels of capital expenditures and a lower net increase in working capital.

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. The increased working capital was due to higher inventory levels in shorter cycle businesses, in anticipation of customer demand that did not materialise, and due to a net working capital increase from development programmes. There was also increased capital expenditure, which was £24 million higher, with the largest increase being within the Aviation Services Sector. This reflected investment in the aircraft fleet as a result of winning multi-year awards in 2014.

Operating cash conversion measures the degree to which cash has been generated from the underlying operating profit generated by the business, before cash outflows for tax and finance costs. Operating cash conversion therefore measures the performance of the business in generating cash from trading, off-set by its investment in capital assets and working capital, both of which are under the Board’s control.

Return on invested capital

The Group defines return on invested capital as underlying operating 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, accumulated amortisation, impairment of intangibles 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		
	2016	2015	2014
	(£ in millions, except for %)		
Underlying operating profit	225.0	332.2	286.7
<i>Average invested capital</i>			
Net assets	489.9	909.7	1,112.3
<i>Add back:</i>			
Net debt	1,028.2	1,206.8	1,222.7
Retirement benefit obligations	87.0	56.7	102.0
Derivative financial instruments	46.2	28.9	19.9
Current tax	146.4	116.5	118.8
Deferred tax	(14.7)	90.6	147.3
Provisions	237.9	142.5	67.4
Accumulated amortisation and impairment of intangibles	1,111.6	395.5	352.9
Other financial assets	(6.1)	(6.1)	(6.1)
Invested capital	<u>3,126.4</u>	<u>2,941.1</u>	<u>3,137.2</u>
Average invested capital	<u>3,033.8</u>	<u>3,039.2</u>	<u>2,581.3</u>
Other adjustments ⁽¹⁾	<u>(105.3)</u>	<u>16.5</u>	<u>(267.3)</u>
Adjusted average investment capital	<u>2,928.5</u>	<u>3,055.7</u>	<u>2,314.0</u>
Return on invested capital (%)	7.7	10.9	12.4

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 8 per cent. in the year ended 31 December 2016, as compared to 11 per cent. in the year ended 31 December 2015, primarily due to the lower level of underlying operating profit earned during the year. There has been disappointing trading in all of the Group's Sectors, including from some of the more recent acquisitions, as evidenced by the significant impairment charges incurred in the year.

Return on invested capital was 11 per cent. in the year ended 31 December 2015, as compared to 12 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 underlying operating profit in 2015 as compared to the prior year.

Return on invested capital represents the return achieved by the business from its trading activities compared to the assets devoted to achieving those returns and a measure used by the Board in comparing the Group's performance to that of its peer companies.

PV investment

The Group defines PV investment 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 £130 million, or 8 per cent. of revenue, in the year ended 31 December 2016, as compared to £138 million, or 8 per cent. of revenue, in the year ended 31 December 2015. The decrease was primarily due to the impact of divestments in the years ended 31 December 2015 and 2016. PV investment was £138 million, or 8 per cent. of revenue, in the year ended 31 December 2015, as compared to £97 million, or 7 per cent. of revenue, in the year ended 31 December 2014, primarily due to the full year impact of the Aeroflex acquisition in 2014.

Total research and development investment, including customer funded projects, was £251 million in the year ended 31 December 2016. 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.

PV investment is the cost to the business of developing new products and technologies that the Board expects to underpin future revenue streams and it therefore gives an indication of value of the investment being made for the future success of the business.

On-time delivery

The Group defines on-time delivery based on time to promise. The on-time delivery rate was 86 per cent., 90 per cent. and 86 per cent., respectively, in the years ended 31 December 2016, 2015 and 2014.

The Board believes that delivering products and services in line with customer schedules, to budget and to agreed performance and quality metrics is essential to growing market share. The Board targets an on-time delivery of 90 per cent.

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 414, 269 and 423, respectively, in the years ended 31 December 2016, 2015 and 2014.

Staff safety statistics give a measure of the degree to which the Group offers a secure environment for its employees to work in. The Board strives for the highest practical level of safety for its 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 development programmes and 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, interest costs for retirement benefit obligations and make-whole payments.

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

Whilst market uncertainties undoubtedly exist, the ability of the Group to forecast performance is not as strong as it should be and these factors lead to our early view for 2017 having a wide range of potential outcomes. Moreover, although (as mentioned above) the Group is in the early stages of enhancing operational and financial discipline, in recent years a significant proportion of the Group's results have been dependent on performance in June and December. This not only makes it hard to predict, putting the Group's results at risk of slippage with lower profitability, but is also inefficient for working capital management.

The Group has many operational issues which require attention in addition to arresting and reversing the negative performance trajectory. Some actions to address these have already commenced but are at an early stage. Some actions may also have associated costs. Given these and the issues highlighted above, the Board considers that delivery in 2017 of a performance similar to that of 2016 may be challenging.

However, the Group has leading positions in attractive markets with significant barriers to entry, participation in long-term programmes, a blue-chip customer base and differentiated technologies and know-how. Given these characteristics, the Board believes that over the medium term the Group will return to positive organic growth and improved profitability with increased conversion of profits into cash.

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 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.

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

	For the year ended 31 December		
	2016	2015	2014
	(£ in millions)		
Revenue	1,943.9	2,072.0	1,851.7
Cost of sales	(1,567.3)	(1,408.2)	(1,290.1)
Gross profit	376.6	663.8	561.6
Selling and distribution costs	(134.5)	(130.1)	(100.3)
Administrative expenses	(1,021.2)	(521.7)	(403.7)
Operating (loss)/profit	(779.1)	12.0	57.6
Finance income	4.1	5.2	6.4
Finance costs	(72.9)	(57.0)	(39.7)
(Loss)/profit before taxation	(847.9)	(39.8)	24.3
Taxation	52.8	2.1	4.7
(Loss)/profit after taxation for the year	<u>(795.1)</u>	<u>(37.7)</u>	<u>29.0</u>

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

	For the year ended 31 December		
	2016	2015	2014
	(£ in millions, except for %)		
Operating (loss)/profit	(779.1)	12.0	57.6
<i>Adjusted to exclude:</i>			
Business restructuring	(8.7)	67.5	52.2
Derivative financial instruments	39.3	18.8	21.8
Amortisation of intangible assets arising on business combinations	161.2	176.8	113.6
<i>Exceptional items</i>			
Impairment of goodwill and other intangible assets	573.8	26.6	—
Revisions of the carrying values of other assets	33.3	—	—
Estimates of fixed price contract profitability	179.1	—	—
Assessment of legal and other provisions	24.4	—	0.8
Other business acquisition and divestment related items	1.7	30.5	40.7
Total operating reconciling items	<u>1,004.1</u>	<u>320.2</u>	<u>229.1</u>
Underlying operating profit	<u>225.0</u>	<u>332.2</u>	<u>286.7</u>
Underlying operating margin (as a percentage of revenue) (%)	11.6	16.0	15.5

Results of operations for the year ended 31 December 2016 compared to the year ended 31 December 2015

Revenue

Revenue decreased by 6 per cent. to £1,944 million in the year ended 31 December 2016, as compared £2,072 million in the year ended 31 December 2015. This decrease was primarily driven by the impact of divestments together with a decline in organic revenue in each of the Group's four operating sectors, partially offset by a significant benefit from currency translation, as sterling weakened against all four of the Group's primary foreign currencies, which has resulted in higher sterling profits when foreign currency profits are converted.

Organic revenue declined by 8 per cent. during the year ended 31 December 2016. Organic revenue in the U.S. defence and security market, which accounted for 34 per cent. of Group revenue, was 11 per cent. lower in the year ended 31 December 2016, primarily as a result of the impact of one-off orders in 2015 and the effect of some longer-standing programmes coming to an end during the year. Organic revenue in the UK, RoW defence and security market, which accounted for 25 per cent. of Group revenue, was 6 per cent. lower in the year ended 31 December 2016, primarily due to reduced activity in all impacted Sectors, as described in "*Segmental reporting – Segmental results of operations for the year ended 31 December 2016 compared to the year ended 31 December 2015*". Organic revenue in the Group's commercial markets, which accounted for 41 per cent. of Group revenue, was 6 per cent. lower in the year ended 31 December 2016, primarily as a result of lower revenue in the Communications and Connectivity and the Aviation Services Sectors.

Cost of sales

Cost of sales increased by 11 per cent. to £1,567 million in the year ended 31 December 2016, from £1,408 million in the year ended 31 December 2015, driven primarily by exceptional items of £209 million (see "*– Significant factors affecting the Group's results of operations and financial position – 2016 balance sheet review*"), partially offset by an underlying reduction in costs of £50 million from lower volumes.

Selling and distribution costs

Selling and distribution costs increased by 3 per cent. to £135 million in the year ended 31 December 2016, from £130 million in the year ended 31 December 2015, driven primarily by the mix change impact of revenue on associated selling and distribution costs, offset by the impact of divestments during the periods.

Administrative expenses

Administrative expenses increased by 96 per cent. to £1,021 million in the year ended 31 December 2016, from £522 million in the year ended 31 December 2015, driven primarily by the impact of certain charges applied to

administrative expenses in connection with the 2016 balance sheet review (see “– *Significant factors affecting the Group’s results of operations and financial position – 2016 balance sheet review*”).

Finance costs

Finance costs increased by 28 per cent. to £73 million in the year ended 31 December 2016, from £57 million in the year ended 31 December 2015, driven primarily by the £19 million make-whole payment made in respect of the U.S. dollar-denominated debt repaid with the proceeds from the 2016 Rights Issue.

Taxation

Taxation increased to a credit of £53 million in the year ended 31 December 2016, from a credit of £2 million in the year ended 31 December 2015, driven primarily by the significant operating loss in the year ended 31 December 2016.

Underlying operating profit and underlying operating margin

Underlying operating profit decreased by 32 per cent. to £225 million in the year ended 31 December 2016, as compared to £332 million in the year ended 31 December 2015. This decrease reflected the revenue reduction in the year ended 31 December 2016 from lower shipment volumes, an adverse revenue mix and reduced flying activity in the Aviation Services Sector. There were also significant additional costs incurred in the wireless business as a result of a number of business and control issues identified in early 2016 and on certain development programmes in the Advanced Electronic Solutions Sector.

Underlying operating margin decreased to 12 per cent. in the year ended 31 December 2016, as compared to 16 per cent. in the year ended 31 December 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 million in the year ended 31 December 2015, as compared £1,852 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 UK, RoW defence and 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 and 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 and 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 maritime 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 divestments 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.

Underlying operating profit and underlying operating margin

Underlying operating 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 shorter cycle commercial volumes and an adverse revenue mix in the Advanced Electronic Solutions Sector.

Underlying operating margin increased to 16 per cent. in the year ended 31 December 2015, as compared to 16 per cent. in the year ended 31 December 2014.

Segmental reporting

The Group operates in four reporting segments (which the Group refers to as **Sectors**): Mission Systems, Advanced Electronic Solutions, Communications and Connectivity and Aviation Services.

Segmental results of operations

The table below sets out the Group's segmental revenue for the periods indicated:

	For the year ended 31 December		
	2016	2015	2014
	(£ in millions)		
Mission Systems	386.4	382.4	333.5
Advanced Electronic Solutions	511.6	538.0	410.1
Communications and Connectivity	690.2	771.8	697.1
Aviation Services	357.2	390.1	412.2
Head office, other activities and elimination of inter-segment items	(1.5)	(10.3)	(1.2)
Total Group	<u>1,943.9</u>	<u>2,072.0</u>	<u>1,851.7</u>

The table below sets out the Group's segmental underlying operating profit for the periods indicated:

	For the year ended 31 December		
	2016	2015	2014
	(£ in millions)		
Mission Systems	56.5	68.0	35.9
Advanced Electronic Solutions	60.2	80.5	64.0
Communications and Connectivity	60.0	108.4	118.3
Aviation Services	38.3	57.3	54.5
Head office, other activities and elimination of inter-segment items	10.0	18.0	14.0
Total Group	<u>225.0</u>	<u>332.2</u>	<u>286.7</u>

Segmental results of operations for the year ended 31 December 2016 compared to the year ended 31 December 2015

Mission Systems

Revenue increased by 1 per cent. to £386 million in the year ended 31 December 2016, as compared to £382 million in the year ended 31 December 2015, primarily due to a favourable currency translation of £37 million, which was partly offset by reduced revenue of £6 million due to the divestment of the unmanned systems business in October 2016. Organic revenue declined by 7 per cent. This resulted from lower revenue from aerial refuelling, principally due to lower orders from Lockheed Martin to support C-130 tanker production and development revenue from the Boeing KC-46 tanker programme, partially offset by revenue growth in some areas, including from increased shipments of actuation control subsystems related to air-to-ground munitions.

Underlying operating profit decreased by 17 per cent. to £57 million in the year ended 31 December 2016, as compared to £68 million in the year ended 31 December 2015, reflecting lower full rate aerial refuelling production volumes on C-130 and a lower profit contribution from KC-46 development revenue, partially offset by a favourable impact from currency translation.

Advanced Electronic Solutions

Revenue decreased by 5 per cent. to £512 million in the year ended 31 December 2016, as compared to £538 million in the year ended 31 December 2015, primarily as a result of a £49 million decrease due to divestments, principally Weinschel and Inmet, which were divested in June 2015, and Metelics which was divested in December 2015, partially offset by a favourable impact from currency translation of £69 million. Organic revenue declined by 8 per cent. This organic revenue decline resulted primarily from the integrated electronic solutions business, which continued to be impacted by the end of some mature production programmes and lower revenue from space programmes within the semiconductor solutions business, partially offset by revenue growth from missile programmes in the microelectronic solutions business.

Underlying operating profit decreased by 25 per cent. to £60 million in the year ended 31 December 2016, as compared to £81 million in the year ended 31 December 2015, reflecting lower volumes, including from the mature production programmes, and additional costs, including previously announced technical and supplier quality issues on certain of its development programmes, and additional IT security compliance costs, partially offset by a favourable impact from currency translation.

Communications and Connectivity

Revenue decreased by 11 per cent. to £690 million in the year ended 31 December 2016, as compared to £772 million in the year ended 31 December 2015, primarily due to a £113 million decrease resulting from divestments, principally the composites businesses, which were divested in November 2015, and the surveillance business, which was divested in January 2016, which was partially offset by a favourable impact from currency translation of £69 million. Organic revenue declined by £37 million or 5 per cent. in the year ended 31 December 2016, primarily as a result of lower volumes, including in the wireless business, with lower sales of test and measurement products. In addition, there were lower antenna and SATCOM volumes, primarily in defence markets, including an adverse impact from discontinued product lines.

Underlying operating profit decreased by 45 per cent. to £60 million in the year ended 31 December 2016, as compared to £108 million in the year ended 31 December 2015, reflecting lower volumes and significant

additional costs from increased resource requirements and a number of accounting adjustments as a result of the operational issues in the wireless business, partially offset by the favourable cost impact from divestments completed in 2015 and 2016, from currency translation and from net cost savings achieved in the year.

Aviation Services

Revenue decreased by 8 per cent. to £357 million in the year ended 31 December 2016, as compared to £390 million in the year ended 31 December 2015, primarily due to a decline in organic revenue, partially offset by a favourable currency translation. Organic revenue declined by 14 per cent., primarily due to lower flying activity in Australian natural resources markets and a decrease in defence and security volumes due in part to the cessation of some smaller flying contracts and reduced operational readiness training activity, including for the Royal Saudi Air Force, partially offset by initial revenue from the new Australian Maritime Safety Authority contract.

Underlying operating profit decreased by 33 per cent. to £38 million in the year ended 31 December 2016, as compared to £57 million in the year ended 31 December 2015, reflecting the overall reduction in flying activity as described above, partially offset by cost actions.

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

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.

Underlying operating profit increased by 89 per cent. to £68 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 UK, RoW defence and security customers. However, this was more than offset by significantly lower U.S. defence and 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.

Underlying operating 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.

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 and 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 maritime 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.

Underlying operating 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 shorter 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.

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. higher 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.

Underlying operating profit increased by 5 per cent. to £57 million in the year ended 31 December 2015, as compared to £55 million in the year ended 31 December 2014.

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 Existing Facilities (as defined herein), 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 31 December 2016. The figures for the capitalisation and the indebtedness and cash of the Group have been extracted without material adjustment the 2016 Annual Report and Accounts which are incorporated by reference in this Prospectus:

	As at 31 December 2016
	(£ in millions)
Equity	
Share capital	45
Share premium	778
Other reserves – share based payments	22
Total capitalisation	845
Total current indebtedness	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	(61)
Total current indebtedness	(61)
Total non-current indebtedness	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	(1,203)
Total non-current indebtedness	(1,203)
Total indebtedness	(1,264)

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 31 December 2016.

The following table sets out the net financial indebtedness as at 31 December 2016:

	As at 31 December 2016
	(£ in millions)
Net financial indebtedness analysis	
Cash and cash equivalents	236
Current debt	(61)
Non-current debt	(1,203)
Total	<u>(1,028)</u>

The Group has no indirect or contingent indebtedness as at 31 December 2016.

The information provided in the statement of net financial indebtedness has been extracted without material adjustment from the 2016 Annual Report and Accounts.

Cash flows

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

	For the year ended 31 December		
	2016	2015	2014
	(£ in millions)		
Operating(loss)/ profit	(779.1)	12.0	57.6
Net cash from operating actives	134.7	189.1	167.9
Net cash (used in)/from investing activities	(86.5)	53.9	(950.8)
Net cash (used in)/from financing activities	(120.3)	(160.1)	839.4
Net (decrease)/increase in cash and cash equivalents	(72.1)	82.9	56.5
Exchange movements	14.3	(13.2)	(31.2)
Cash and cash equivalents at start of year	294.0	224.3	199.0
Cash and cash equivalents at end of year	236.2	294.0	224.3

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 from operating activities decreased 29 per cent. to £135 million in the year ended 31 December 2016, from £189 million in the year ended 31 December 2015. This decrease reflects the lower level of underlying operating profit, an increase in working capital and higher interest charges, offset by lower tax payments.

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 underlying operating profit and a decrease in the investment in working capital, offset by higher interest payments.

Net cash (used in)/from investing activities

The Group's net cash (used in)/from 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 from investing activities was an outflow of £87 million in the year ended 31 December 2016, consisting primarily of the purchase of property, plant and equipment, the largest element of which is expenditure in the Aviation Services Sector in respect of the Australian Maritime Safety Authority contract.

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)/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 was £120 million in the year ended 31 December 2016, consisting primarily of dividend payments and the repayment of borrowings, offset by the proceeds of the 2016 Rights Issue.

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.

Debt and financing

As at 31 December 2016, the Group's net debt had decreased to £1,028 million, as compared to £1,207 million as at 31 December 2015. The proportion of U.S. dollar denominated debt was materially higher than U.S. dollar denominated profit during 2016 and there are plans to more closely align these proportions in the first half of 2017. The Group's net debt includes adverse exchange rate movements of £236 million during the year ended 31 December 2016, compared to £80 million in the year ended 31 December 2015, which were largely driven by translation of the Group's U.S. dollar denominated debt between the opening and closing rates.

In June 2016, Cobham completed its fully underwritten 1 for 2 rights issue. The rights issue raised gross proceeds of £507 million, amounting to £491 million after expenses. The Group swapped the net sterling proceeds of the rights issue into U.S. dollars at approximately US\$1.45/£, which was used to repay certain U.S. dollar denominated borrowings. These repayments comprised US\$523 million of variable rate debt and US\$158 million of fixed rate senior notes, including £19 million of make-whole payment, with an average coupon of approximately 7 per cent. on the senior notes.

The Rights Issue is expected to raise approximately £512 million in gross proceeds. The Board currently intends to use the net proceeds of the Rights Issue to pay down borrowings under the Group's Existing Facilities when they mature. The Group has forward purchased £485 million worth of U.S. dollars with the intention of aligning the currency mix of net debt more closely with the currency mix of the Group's profits, thereby reducing foreign exchange exposure on the Group's net debt/EBITDA ratio. See Item 5 "Use of proceeds" under Part VII: "Letter from the Chairman of the Company" of this Prospectus.

The table below shows the Group's net debt at the dates indicated:

	As at 31 December		
	2016	2015	2014
	(£ in millions)		
Underlying operating profit	225	332	287
Share of post-tax results of joint ventures	—	—	—
Depreciation, amortisation and other items	68	68	83
Pension contributions in excess of service cost and administration cost	(17)	(18)	(17)
Increase in working capital	(8)	(49)	(71)
Net capital expenditure	(86)	(98)	(74)
Operating cash flow	182	235	208
Net interest paid	(71)	(49)	(25)
Taxation paid	(20)	(32)	(37)
Restructuring costs	(40)	(48)	(32)
Free cash flow	51	106	114
Dividends paid	(126)	(122)	(108)
Acquisition payments less divestment proceeds and other related costs	(3)	137	(897)
Net rights issue proceeds and allocation of treasury shares	493	(25)	180
Exchange movements	(236)	(80)	(59)
Decrease/(increase) in net debt	179	16	(770)
Net debt	(1,028)	(1,207)	(1,223)

Included within net debt are cash deposits, which are primarily denominated in U.S. dollars, UK pounds and euros, as well as borrowings. At 31 December 2016, the Group held total cash and short term bank deposits, net of off-settable overdrafts and all with an original maturity of three months or less, of £236 million, as compared to £295 million as at 31 December 2015.

Under the terms of the Group's borrowing facilities, the net debt number used in the net debt/EBITDA ratio calculation is based on an average foreign exchange rate for the preceding 12 months. On this basis the Group's year end net debt figure was £938 million in the year ended 31 December 2016, resulting in a ratio of 3.0x. For the purposes of this calculation exceptional items are excluded from EBITDA, in addition to making some smaller pro forma adjustments. Interest cover was 5.1x for the year ended 31 December 2016.

The Group is required to maintain its ratio of net debt/EBITDA at or below 3.5x and its interest cover ratio at or above 3.0 times. For covenant purposes, net debt is expressed at average foreign currency translation rates for the preceding 12 months. EBITA and EBITDA numbers include the operating profit from joint ventures and exclude items such as those related to acquisitions and divestments, 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 divested during the period. Net interest excludes any movements in derivative financial instruments and unwinding of discounting and make-whole payments.

The following table shows the Group's debt covenants at the dates indicated:

	As at 31 December		
	2016	2015	2014
Net debt (£ in million) – balance sheet	(1,028)	(1,207)	(1,223)
Net debt (£ in million) – average rate	(938)	(1,161)	(1,159)
EBITDA (£ in million)	317	396	440
Net debt/EBITDA (not to exceed 3.5 times)	3.0	2.9	2.6
EBITA (£ in million)	245	333	298
Net interest (£ in million)	48	49	28
Interest cover ⁽¹⁾ (not less than 3.0 times)	5.1	6.8	10.5

Notes:

(1) Interest cover is calculated as the ratio of net interest to EBITA.

The Board has recognised that strengthening the Group’s balance sheet is desirable to support the operations of the Group, given the important role it plays in many customer programmes. The Rights Issue is therefore being undertaken in order to lower the Group’s indebtedness and to reduce the ratio of net debt/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 2016, the Group’s principal borrowings included the following:

- A US\$270 million credit facility agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. US\$235 million had been utilised at 31 December 2016;
- A €70 million credit facility agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. €57 million had been utilised at 31 December 2016;
- A DKK525 million credit facility 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 2016;
- An A\$90 million credit facility agreement expiring in October 2018. Interest is payable at the applicable benchmark rate of the drawn currencies plus margin. A\$49 million had been utilised at 31 December 2016;
- US\$974 million of senior notes maturing in tranches in 2017, 2019, 2020, 2021 and 2024, with an average coupon of 4 per cent;
- €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 2019.

For further details of the Group’s credit agreements, see paragraph 14 of Part XVI: “*Additional Information*” of this Prospectus.

Capital expenditure

The Group’s targeted capital expenditure for the year ended 31 December 2017, of which £14 million was committed as at 31 December 2016, is expected to broadly similar to the level of capital expenditure for the year ended 31 December 2016. 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		
	2016	2015	2014
	(£ in millions)		
Land and buildings	3.2	4.2	3.0
Plant and machinery (including aircraft and vehicles)	50.3	77.2	37.1
Fixtures, fittings, tools and equipment	10.7	4.0	8.4
Payments on account and assets under construction	17.3	13.6	15.1
Software and other	8.2	16.9	12.9
Total	89.7	115.9	76.5

Contractual obligations and commitments

The table below sets out the contractual obligations and commitments of the Company as at 31 December 2016:

	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	30.3	27.7	25.1	16.6	14.0	45.5
Repayment of borrowings	60.7	267.4	206.4	179.8	202.3	347.3
Total	<u>91.0</u>	<u>295.1</u>	<u>231.5</u>	<u>196.4</u>	<u>216.3</u>	<u>392.8</u>

The funds required to satisfy these obligations are expected to be derived from operating cash flows and from committed facilities.

Provisions

The Group recorded the following movements in provisions during the year ended 31 December 2016:

	Provisions related to businesses divested	Restructuring Provisions	Warranty claims	Contract loss provisions	Aircraft maintenance provisions	Other	Total
	(£ in millions)						
At 1 January 2016	15.5	60.9	10.2	26.8	3.7	25.4	142.5
Additional provisions in the year	—	—	10.4	146.5	2.4	17.2	176.5
Utilisation of provisions	(4.8)	(15.2)	(3.8)	(26.8)	(1.2)	(4.2)	(56.0)
Provisions released	(4.1)	(29.3)	(1.2)	(5.0)	(2.3)	(1.1)	(43.0)
Disposed with undertakings	—	—	(0.2)	—	—	(2.0)	(2.2)
Reclassifications	—	—	(0.3)	2.1	0.2	—	2.0
Foreign exchange adjustments	—	7.0	1.9	3.4	0.5	5.3	18.1
At 31 December 2016	<u>6.6</u>	<u>23.4</u>	<u>17.0</u>	<u>147.0</u>	<u>3.3</u>	<u>40.6</u>	<u>237.9</u>

Additional provisions in the year include £111 million in respect of KC-46 contract loss provisions, £20 million of contract loss provisions on other contracts, £5 million for warranty claims and £16 million of other provisions, which have been included within exceptional items in note 2 of the 2016 Annual Report and Accounts, which are incorporated by reference in this document.

Provisions related to businesses divested relate to longer term warranties given on divestments completed in 2005. Due to uncertainties surrounding the timing of settlement of these items, they have been disclosed as current liabilities.

Restructuring provisions relate to prior years' restructuring programmes in respect of the integration of the Aeroflex businesses acquired in 2014. In 2016, provisions released reflect a reassessment of the level of provisions required in respect of IT integration and remediation costs. Amounts carried forward primarily relate to onerous lease provisions which are not expected to be fully settled until 2025.

Provisions for warranty claims are expected to be utilised within two years.

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. These provisions are expected to be utilised within three years although where there are uncertainties surrounding the timing of utilisation, they have been disclosed as current liabilities.

Aircraft maintenance provisions relate to significant periodic maintenance costs as well as return conditions for leased aircraft and are anticipated to crystallise within five years.

Other provisions include amounts provided in respect of legal claims and environmental obligations and are mostly expected to be settled within one year.

Contingent liabilities

At 31 December 2016, the Company and 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 £182 million. Where it is expected that a material liability will arise in respect of these matters, appropriate provision is made within the Group's financial statements.

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

As previously notified, the Group identified one, more significant, contractual breach dating back some years, in respect of goods provided into a geographic market representing only a small amount of revenue for the Group. The resolution of this matter remains uncertain at the year end however 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 Group takes account of the advice of experts in making these judgements and believes that the outcome of negotiations will result in an appropriate recovery of costs. In the case where the Group is undertaking development activity on a PV basis but has given performance undertakings to the prospective customer then a liability for losses consequent upon the failure to meet such undertakings could exist.

The Group is subject to corporate and other tax rules in the jurisdictions in which it conducts its business operations. Due to changes in tax laws and regulations, changes in interpretation of taxation regulations, an increase in tax audits and challenges and the testing of interpretations through litigation, tax liabilities may be, and are being, challenged and may ultimately be deemed inaccurate by tax authorities. Areas of tax authority scrutiny include transfer pricing, EU state aid and base erosion and profit shifting. Tax authorities may also pursue additional taxes based on retroactive changes to, and interpretations of, tax laws. The availability of interest deductions on one of the Group's internal financing arrangements, principally as a result of various US acquisitions, has been challenged for some time. Over the life of this internal financing arrangement, the aggregate tax value of the interest deductions amounted to approximately £130 million. This could lead to increased tax liabilities in excess of those provided in the Balance Sheet, worsening the financial outlook of the Group, and result in a substantial tax payment becoming necessary. The Group has taken external advice and considers that it has strong support for its position. However, the timing and resolution of this issue is uncertain.

Off balance sheet arrangements

As at 31 December 2016, 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 setting a target to maintain 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 2016 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 93 per cent. of the Group's anticipated transaction exposure to the U.S. dollar/pound sterling exchange rate is hedged for 2017 at an average rate of US\$1.42/£1, with additional hedging in place to partially cover anticipated exposure in subsequent years. Approximately 68 per cent. of the U.S. dollar/Danish krone (DKK) exposure is hedged for 2017 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 2016 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

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 31 December 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 2016.

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 XV 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 XV. Deloitte LLP's report on the unaudited pro forma financial information is set out in Section B of this Part XV.

Unaudited Pro Forma Statement of Net Assets as at 31 December 2016

	Adjustments		
	As at 31 December 2016 ⁽¹⁾ (audited)	Rights Issue ⁽²⁾ (unaudited) £ Million	Total (unaudited)
Assets			
Non-current assets			
Intangible assets	1,165.9	—	1,165.9
Property, plant and equipment	422.9	—	422.9
Investment properties	3.6	—	3.6
Investments in joint ventures and associates	3.6	—	3.6
Trade and other receivables	66.0	—	66.0
Other financial assets	6.1	—	6.1
Deferred tax	42.3	—	42.3
Derivative financial instruments	19.7	—	19.7
	1,730.1	—	1,730.1
Current assets			
Inventories	405.3	—	405.3
Trade and other receivables	409.8	—	409.8
Current tax receivables	3.1	—	3.1
Derivative financial instruments	8.5	—	8.5
Cash and cash equivalents	236.2	496.6	732.8
	1,062.9	496.6	1,559.5
Liabilities			
Current liabilities			
Borrowings	(60.9)	—	(60.9)
Trade and other payables	(430.8)	—	(430.8)
Provisions	(180.6)	—	(180.6)
Current tax liabilities	(149.5)	—	(149.5)
Derivative financial instruments	(42.2)	—	(42.2)
	(864.0)	—	(864.0)
Non-current liabilities			
Borrowings	(1,203.5)	—	(1,203.5)
Trade and other payables	(31.5)	—	(31.5)
Provisions	(57.3)	—	(57.3)
Deferred tax	(27.6)	—	(27.6)
Derivative financial instruments	(32.2)	—	(32.2)
Retirement benefit obligations	(87.0)	—	(87.0)
	(1,439.1)	—	(1,439.1)
Net Assets	489.9	496.6	986.5

Notes:

1. The net assets of the Cobham plc Group as at 31 December 2016 have been extracted without adjustment from the 2016 Annual Report and Accounts, which are incorporated by reference in this document (see Part VI: “*Information Incorporated by Reference*”).
2. Adjustments to reflect the net proceeds of the Rights Issue receivable by the Company of approximately £497 million (being gross proceeds of approximately £512 million less estimated fees and expenses relating to the Rights Issue of approximately £16 million, excluding VAT).

SECTION B: ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION

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28 March 2017

Dear Sirs/Madams,

Cobham plc (the “Company”)

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part XV of the prospectus dated 28 March 2017 (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 31 December 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 XVI

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 1 January 1986, the Company changed its name to FR Group plc and 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 £42,696,596.28, comprised of 1,707,863,851 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 75,591,724 shares held in treasury represented 4.4 per cent. of the total Ordinary Shares (excluding such treasury shares) in issue on the Latest Practicable Date. 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 2014 to the Latest Practicable Date:

	<i>Number of Ordinary Shares⁽¹⁾</i>	<i>Number of Preference Shares</i>
At 1 January 2014	1,078,575,901	19,700
Issued pursuant to the Placing (as defined below)	60,000,000	—
At 20 May 2014	1,138,575,901	19,700
At 1 January 2015	1,138,575,901	19,700
At 1 January 2016	1,138,575,901	19,700
Issued pursuant to the 2016 Rights Issue (as defined below)	569,287,950	—
At 17 June 2016	1,707,863,851	19,700
At 1 January 2017	1,707,863,851	19,700
At 24 March 2017 (being the Latest Practicable Date)	1,707,863,851	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 BofA Merrill Lynch 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 then 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 On 1 June 2016, the Company announced a 1 for 2 rights issue of 569,287,950 new ordinary shares at a price of 89 pence per new ordinary share (the **2016 Rights Issue Shares**), in order to raise a total of £507 million (the **2016 Rights Issue**). On 17 June 2016, the Company announced that it had received valid acceptances in respect of 553,410,725 new ordinary shares (representing approximately 97.21 per cent. of the new ordinary shares offered) pursuant to the Rights Issue. The underwriters of the 2016 Rights Issue, BofA Merrill Lynch and Jefferies International Limited (together, the **2016 Banks**), procured subscribers for the remaining 15,877,266 new ordinary shares not validly taken up by Cobham's qualifying shareholders in the 2016 Rights Issue (representing approximately 2.79 per cent. of the new ordinary shares offered) at a price of 138 pence per new ordinary share. The 2016 Rights Issue Shares represented approximately 33.3 per cent. of the Company's issued ordinary share capital immediately following the completion of the 2016 Rights Issue. The 2016 Rights Issue 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 2016 Rights Issue Shares were listed, nil paid, 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 2 June 2016.
- 3.5 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	1,707,863,851	42,696,596.28

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	2,391,009,391	59,775,234.78

- 3.6 Subject to Admission, pursuant to the Rights Issue, 683,145,540 New Ordinary Shares will be issued at a price of 75 pence per New Ordinary Share. This will result in the issued ordinary share capital of the Company increasing by approximately 40.0 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 28.6 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).
- 3.7 At the General Meeting, a resolution is proposed to authorise the Directors, pursuant to section 551 of the Companies Act, to allot shares and grant rights to subscribe for or convert any security into shares up to a nominal amount of £17,078,638.50 pursuant to or in connection with the Rights Issue representing 40.0 per cent. of the Company's current issued share capital as at 24 March 2017 (being the Latest Practicable Date). Additionally, a resolution authorising the waiver of pre-emption rights in connection with such allotment is proposed which, if approved by the Shareholders, will be relied upon for the purposes of the Rights Issue. These authorities will be limited to the allotment of New Ordinary Shares in connection with the Rights Issue (on the terms and conditions set out in this document) and, if granted, will enable the Company to allot sufficient New Ordinary Shares to undertake the Rights Issue. These authorities will expire at close of business on 31 December 2017. The authorities granted under the Resolutions are in addition to the authority to allot Shares which was granted to the Board at the Company's last AGM in 2016, which the Board has no present intention of exercising and which will expire at the conclusion of the Company's next AGM expected to be held on 27 April 2017. Accordingly, the New Ordinary Shares to be issued in connection with the Rights Issue will be created, allotted and issued pursuant to the authorities to be granted under the Resolutions proposed at the General Meeting.
- 3.8 Save as disclosed above and in paragraph 9 and paragraph 14.2 of this Part XVI:
- (a) no share or loan capital of Cobham or any of its subsidiaries has within the period covered by the consolidated 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 consolidated 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 Board will not be recommending a final dividend payment in respect of the financial year 2016. Furthermore, the Board will not recommend either an interim or final dividend in respect of financial year 2017 and it expects to resume dividend payments only when it is prudent to do so. This decision will take into account a number of factors, including the Group's underlying earnings, cash flow and gearing, its investment needs and the requirement to maintain an appropriate level of dividend cover.

3.12 The Group paid an interim dividend for 2016 of 2.03 pence on 4 November 2016. The total dividend for financial years 2015 and 2014 was 11.18 pence and 10.65 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 XVI. 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 £1 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 Guidance 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 installment 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 installment 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>
Michael Wareing	Senior Independent Non-Executive Director, Chairman of the Audit Committee and member of the Remuneration Committee of Intertek Group plc	Non-Executive Director, Chairman of the Audit Committee and member of the Remuneration Committee of Wolseley plc Chairman of the Iraq Advisory Board for G4S plc Economic Development Adviser to the Government of Afghanistan
David Lockwood	Member of the International Advisory Committee of Dunedin Capital	Chief Executive of Laird plc Vice President Global Defence and Security of BT Global Services Non-Executive Director and Chairman of Knowledge Transfer Network Limited
David Mellors	None	Executive Director, Interim Chief Executive Officer and Chief Financial Officer of QinetiQ Group plc Deputy Chief Financial Officer of Logica plc
Jonathan Flint	None	Non-Executive Director of Andor Technology plc CEO of Oxford Instruments plc
Alan Semple	Non-Executive Director and member of the Audit Committee of Teekay Corporation	Executive Director and Chief Financial Officer of John Wood Group plc

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Alison Wood	Non-Executive Director and Chair of the Remuneration Committee of Costain Group plc Non-Executive Director and Chair of the Remuneration Committee of British Standards Institution Non-Executive Director and Chair of the Remuneration Committee of TT Electronics plc	Non-Executive Director of GCHQ Chairman of Aerospace Aviation and Defence Knowledge Transfer Network Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee of e2v technologies plc (Alison's role will cease on completion of the sale of e2v technologies plc, which is expected to occur on or about 28 March 2017)
Michael Hagee	President and CEO of the Admiral Nimitz Foundation Co-Chairman of the Commission on Energy and Geopolitics Non-Executive Director of DynCorp International Inc. Outside Manager on the Government Security Committee of the Special Security Agreement of TE SubCom (a TE Connectivity Limited Company)	Non-Executive Director of Remington Outdoor Company Inc. Non-Executive Director of Kaseman LLC Non-Executive Director of Freedom Group, Inc. Non-Executive Director of SGI Corp.
Birgit Nørgaard	Non-Executive Director of IMI plc Non-Executive Director and Chair of the Governance, Ethics and Remuneration Committee of WSP Global Inc. Non-Executive Director of DSV A/S Recommended Non-Executive Director of NCC AB (to be effective (if approved) from their annual general meeting on 5 April 2017) Non-Executive Director of RGS-90 A/S Vice-Chairman of NNE A/S Vice Chairman of The Danish Growth Capital Fund and Non-Executive Director of The Danish Growth Capital Fund II	Non-Executive Director of Kvaerner ASA Non-Executive Director of Lindab International AB Non-Executive Director and Chairman of E. Pihl & Son A.S. Non-Executive Director of GEO Non-Executive Director and Chairman of StockRate Invest Non-Executive Director of Sonion A/S Non-Executive Director of Abeo A/S Non-Executive Director of EUDP Non-Executive Director of the Technical University of Denmark

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 XVI, 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 XVI, 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 the Market Abuse Regulation and Chapter 3 of the Disclosure Guidance 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>
Michael Wareing	30,000	0.00176	41,999	0.00176%
David Lockwood	Nil	Nil	Nil	Nil
David Mellors	Nil	Nil	Nil	Nil
Jonathan Flint	7,500	0.00044	10,499	0.00044%
Alan Semple	7,500	0.00044	10,499	0.00044%
Alison Wood	7,500	0.00044	10,499	0.00044%
Michael Hagee	7,500	0.00044	10,499	0.00044%
Birgit Nørgaard	7,500	0.00044	10,499	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. The Directors may decide to acquire additional rights to New Ordinary Shares in the Rights Issue.
- (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 As at close of business on the Latest Practicable Date, there were no outstanding share options or awards held by the Directors under the Share Schemes (described in paragraph 9 of this Part XVI).

6.4 The interests of the Directors together represent approximately 0.00395 per cent. of the issued share capital of Cobham as at the Latest Practicable Date and are expected to represent 0.00395 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). The Directors may decide to acquire additional rights to New Ordinary Shares in the Rights Issue.

6.5 Save as set out in this Part XVI, 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.

- 6.6 Michael Hagee is an advisor to Cerberus, a Non-Executive Director of DynCorp International and 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 (Alison's role will cease on completion of the sale of e2v, which is expected to occur on or about 28 March 2017).
- 6.7 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 24 March 2017, 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 Guidance and Transparency Rules, 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>
Aberdeen Asset Managers Limited	56,318,037	3.298%	78,845,251	3.298%
Ameriprise Financial, Inc.	57,508,406	3.367%	80,511,768	3.367%
Black Rock, Inc	96,911,563	5.674%	135,676,188	5.674%
Causeway Capital Management LLC	103,993,282	6.089%	145,590,594	6.089%
Massachusetts Financial Services Company	85,343,080	4.997%	119,480,311	4.997%
Silchester International Investors LLP	85,875,239	5.028%	120,225,334	5.028%
Lancaster Investment Management LLP	54,780,732	3.208%	76,693,024	3.208%

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 XVI, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure Guidance 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 24 March 2017 (being the Latest Practicable Date).
- 7.3 There are no differences between the voting rights enjoyed by the shareholder described in paragraph 7.1 of this Part XVI 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>
David Lockwood	Chief Executive Officer	12 December 2016
David Mellors	Chief Financial Officer	1 January 2017

David Lockwood and David Mellors are paid annual base salaries of £690,000 and £520,000, respectively. They are eligible to participate in Cobham's annual bonus plan and share incentive schemes, any such bonuses and awards established at the discretion of the Remuneration Committee.

Their benefit package includes life assurance cover of four times their respective annual base salaries and private medical insurance for themselves, any spouse and any dependent children under 21 years of age. David Lockwood receives an annual pension allowance of up to 25 per cent. of base salary and David Mellors receives an annual pension allowance of up to 20 per cent. of base salary. All pension contributions for David Lockwood and David Mellors payable by Cobham under the 1:1 matching contribution arrangement are paid by way of a cash allowance in lieu of pension contributions.

The maximum bonus awards under the Annual Incentive Plan, which will be made by Cobham in respect of David Lockwood's and David Mellors' respective bonuses is 150 per cent. of their respective base salaries. 25 per cent. of the Executive Directors' earned after-tax bonus payments from the Annual Incentive Plan will be invested in Cobham's shares and will be deferred for a three year period.

In addition to public holidays in England, 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.

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>
Michael Wareing	Non-Executive Chairman	1 December 2010	Cobham AGM 2020
Jonathan Flint	Senior Independent Non-Executive Director	1 May 2013	Cobham AGM 2019
Alan Semple	Independent Non-Executive Director	25 February 2015	Cobham AGM 2018
Alison Wood	Independent Non-Executive Director	1 July 2011	1 July 2017
Michael Hagee	Independent Non-Executive Director	3 December 2008	Cobham AGM 2018
Birgit Nørgaard	Independent Non-Executive Director	24 April 2014	Cobham AGM 2017

Michael Wareing as Chairman of the Board is entitled to receive an annual fee of £270,000. 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. Jonathan Flint as Senior Independent Director is entitled to receive an additional annual fee of £10,000.

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 2016, in respect of the year ended 31 December 2016, were as follows:

<i>Name</i>	<i>Position</i>	<i>Basic salary or fees</i>	<i>Discretionary bonus</i>	<i>Benefits in kind</i>	<i>Pension contribution</i>	<i>Share payment</i>	<i>2016 Total</i>
		(£)	(£)	(£)	(£)	(£)	(£)
John Devaney	Former Non-Executive Chairman	278,000	—	—	—	—	278,000
Robert Murphy	Former Chief Executive Officer	871,000	—	404,000	243,000	—	1,518,000
Simon Nicholls	Former Chief Financial Officer	440,000	—	89,000	88,000	57,000	674,000
Michael Wareing	Senior Independent Non-Executive Director	68,000	—	—	—	—	68,000
David Lockwood	Chief Executive Officer	40,000	—	10,000	10,000	—	60,000
Jonathan Flint	Independent Non-Executive Director	58,000	—	—	—	—	58,000
Alan Semple	Independent Non-Executive Director	70,000	—	850	—	—	70,850
Alison Wood	Independent Non-Executive Director	65,000	—	—	—	—	65,000
Michael Hagee	Independent Non-Executive Director	66,000	—	650	—	—	66,650
Birgit Nørgaard	Independent Non-Executive Director	58,000	—	—	—	—	58,000
Mark Ronald	Former Independent Non-Executive Director	22,000	—	1,100	—	—	23,100

Included in the figures for fees in the above table is a £5,000 per annum travel fee for those Directors travelling from the US (Michael Hagee, Mark Ronald (upon his retirement) and Alan Semple).

For the financial year ended 31 December 2016, the aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors by the Group was £2,659,000. It is estimated that for the financial year ended 31 December 2017, under arrangements in force at the date of this Prospectus, the remuneration of the Directors will be approximately £3,395,000.

The remuneration set out above is pursuant to the remuneration policy approved by Shareholders at the annual general meeting of the Company held on 28 April 2016.

9. Employee Share Plans

9.1 Share Schemes

Cobham plc operates the following equity-settled incentive arrangements (the **Plans**):

- 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;
- the Cobham plc U.S. Conditional Share Plan; and
- the Cobham plc U.S. Employee Stock Purchase Plan.

A summary of the key provisions of each of the Plans is set out below.

The Cobham plc Performance Share Plan 2007 will expire in 2017 and will be replaced. The Company proposes to adopt two new share incentive plans, the Cobham Long Term Incentive Plan (to replace the expiring plan) and the Cobham Deferred Bonus Share Plan (together, the **New Plans**). The Company has submitted resolutions to shareholders for consideration and approval of the new plans at the 2017 annual general meeting. Summaries of the key terms of New Plans are also set out below.

9.2 *Common terms of the Cobham plc Plans and the New Plans*

Where not specified, or unless specified otherwise, the following terms are common to each of the Plans and the New 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 financial period. However, awards may also be granted at any other time if the Remuneration Committee determines that there are exceptional circumstances. Under normal circumstances, no award may be granted during a closed 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 Share 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 United Kingdom 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 Closing Price 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) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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 United States 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 and the Market Abuse Regulation. 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 Cobham plc U.S. Employee Stock Purchase Plan (US ESPP)

(a) Introduction

The US ESPP provides eligible US employees with the opportunity to acquire Ordinary Shares on the exercise of options through an employee share scheme which qualifies for the beneficial tax treatment prescribed by section 423 of the United States Internal Revenue Code of 1986 (**section 423**).

The US ESPP rules are governed by, and are to be construed in accordance with, the laws of the State of Delaware.

(b) Eligibility

All US employees of the Group are eligible to participate in the US ESPP.

(c) Invitations

Subject to applicable regulatory restrictions, the Company may issue invitations to participate in the US ESPP to every eligible employee within 42 days of the date of any announcement, or at any other time at which the Company determines that circumstances exist which justify the issue of invitations.

(d) Grant of Options

Each eligible employee shall be granted an option to acquire Ordinary Shares on a date or dates determined by the Company. Participants must agree to deductions from salary to fund the exercise price, such deductions to take place over periods of 12 months (or such other option period as the Company may determine).

The number of Ordinary Shares subject to an option will be determined by the level of a participant's payroll deductions. The payroll deductions authorised by a participant shall not exceed a specified monetary maximum established by the Company. A participant may withdraw at any time, at which time any balance remaining in the participant's savings account shall be refunded to him.

(e) Exercise price

The exercise price at which Ordinary Shares may be acquired under any option will be determined by the Company at the date of grant of the option, and will be not less than 85 per cent. of the lower of: (i) the fair market value of an Ordinary Share on the first Dealing Day of the relevant option period; and (ii) the fair market value of an Ordinary Share on last Dealing Day of the relevant option period. It is the Company's intention that the exercise price for options granted in respect of the first invitation will be equal to 85 per cent. of the fair market value of an Ordinary Share on the last day of the option period.

(f) Exercise of options

Options are automatically exercised on the last Dealing Day of each option period, as determined by the Company. Pursuant to the exercise of an option, a participant shall automatically acquire the number of whole Ordinary Shares determined by dividing the total amount of the participant's payroll deductions during the option period by the exercise price. In no event shall the number of Ordinary Shares purchased by the participant during the term exceed the number of shares subject to the participant's option.

Ordinary Shares acquired on exercise will rank *pari passu* in all respects with Ordinary Shares already in issue, save as regards any rights attaching to the Ordinary Shares by reference to a record date falling prior to the date of exercise of the option.

(g) Dilution limits

The maximum number of Ordinary Shares that may be acquired under the US ESPP may not exceed 100,000,000. In addition, on any date, no option may be granted under the US ESPP if the aggregate number of Ordinary Shares issued or transferred from treasury or committed to be issued or transferred from treasury pursuant to grants made during the previous 10 years under all employee share schemes established by the Company would exceed 10 per cent. of the issued ordinary share capital of the Company on that date.

Ordinary Shares which have been the subject of options which have been released or lapsed without being exercised will not be taken into account for the purposes of this limit.

(h) Termination of employment

In the event of a termination of employment, payroll deductions will cease, and a certificate representing the number of Ordinary Shares then credited to the participant's account, and a cheque for any balance of funds held for the participant, will be issued to the participant.

(i) Reorganisation or change in Control

In the event of a reorganisation, recapitalisation, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the structure of the share capital of the Company, the Company will make such adjustments (which may be retrospective) as it may deem appropriate (subject to any applicable governmental approval), to the number, kind and exercise price of Ordinary Shares which may be acquired under the US ESPP or any option, and to the minimum and maximum number of Ordinary Shares which a participant is entitled to acquire.

(j) Amendment

The Board may at any time amend, modify or terminate the US ESPP, provided that:

- (i) no amendment may be made which would materially and adversely affect an existing option without the consent of the relevant participant;
- (ii) prior approval of the Company in general meeting will be required for any amendment that would (A) reduce the option exercise price, (B) require shareholder approval under section 423, (C) increase the maximum number of Ordinary Shares that may be acquired under the US ESPP, or (D) be to the advantage of participants and affect those provisions relating to eligibility, or the basis for determining an eligible employee's entitlement to and the terms of, securities, cash or other benefits to be provided and the adjustment thereof in the event of a variation in capital. Except in the case of (B) above, minor amendments to benefit the administration of the US ESPP and amendments to take account of changes in applicable law or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group will be permitted without shareholder approval;
- (iii) no amendment may be made which would cause the US ESPP to cease to be an employee share scheme under the UK Companies Act 2006.

(k) Termination

The US ESPP will terminate on the earliest of (a) the date on which participants have exercised Options to acquire the maximum number of Ordinary Shares which may be acquired under the US ESPP; (b) the date on which the Company resolves to terminate the US ESPP; or (c) the tenth anniversary of the date of adoption of the US ESPP. On termination, all payroll deductions will cease, and all amounts held on behalf of participants will be applied in the pro-rata acquisition of the remaining Ordinary Shares available under the US ESPP, with any balance of deductions refunded to the relevant participants.

9.9 Cobham Long Term Incentive Plan (LTIP)

(a) General

The LTIP permits the grant of conditional share awards and nil-cost options (together referred to as **LTIP Awards**) over Ordinary Shares. The LTIP will also permit, in appropriate circumstances, the grant of retention awards.

(b) Eligibility

All employees of Group companies, including executive directors, will be eligible to participate in the LTIP. The Remuneration Committee will determine which employees will be granted LTIP Awards and what type of LTIP Awards will be granted.

(c) Individual limit

The maximum value of Ordinary Shares which may normally be subject to an LTIP Award granted to an employee in respect of any financial year will be 200 per cent. of the employee's annual basic salary (as at the date of grant). This value may be exceeded if the Remuneration Committee determines that there are exceptional circumstances pertaining to the employee, in which case the maximum limit will be 400 per cent. of the eligible employee's basic salary.

(d) Performance conditions

The vesting of LTIP Awards will normally (other than in the case of retention awards) be subject to the satisfaction of a performance condition which will be stated at the date of grant. The Remuneration

Committee will determine any performance condition that will apply to an LTIP Award and whether and to what extent any performance condition has been satisfied.

(e) Normal vesting

LTIP Awards will normally vest, subject to the satisfaction of the applicable performance condition, on the third anniversary of their date of grant, provided that the participant is still employed by the Group at that time. Where the Remuneration Committee determines at the date of grant of an LTIP Award, the LTIP Award will be subject to an additional two year vesting period following the normal vesting date.

(f) Leavers

If a participant ceases to be employed within the Group before the vesting date of an LTIP Award because of injury, ill health, or disability or redundancy, or because of the sale of the participant's employing company or business out of the Group or for any other reason (except for dishonesty, fraud, misconduct or any other circumstance justifying summary dismissal) determined by the Remuneration Committee, the participant's LTIP Award will vest on the normal vesting date or, at the discretion of the Remuneration Committee, on the date of cessation. In such circumstances, options will remain exercisable for a period of six months after vesting.

If a participant ceases employment before the vesting date in other circumstances, the participant's LTIP Award(s) will lapse, unless the Remuneration Committee determines otherwise. If a participant ceases employment after the vesting date of an option, the option may be exercised for the period of 6 months (12 months in the case of death) following cessation and will then lapse.

(g) Corporate events

If there is a change of control or winding-up of the Company, LTIP Awards will normally vest at the time of, and options will be exercisable for a limited period following, the relevant event.

Alternatively, the Remuneration Committee may decide that LTIP Awards will not vest on a change of control but will, with the consent of the acquiring company, be exchanged for equivalent awards over shares in the acquiring company or another company. In the event of a Company reorganisation or merger, where the shareholders of the acquiring company are substantially the same as the Company's shareholders immediately before the change of control, LTIP Awards will not vest but will be exchanged for equivalent rights.

(h) Extent of vesting if vesting is before the vesting date

If an LTIP Award vests before its vesting date (following a participant's cessation of employment or a change of control) the LTIP Award will vest to the extent determined by the Remuneration Committee, taking into account the extent that the applicable performance condition has been satisfied, and the number of Ordinary Shares in respect of which the LTIP Award will vest will be pro-rated to take account of the time elapsed between the date of grant and the date of the relevant event (save that the Remuneration Committee may determine that an LTIP Award will vest as to a greater or lesser number of Ordinary Shares if it believes there are circumstances that warrant such a determination).

(i) Malus and clawback

The Remuneration Committee may apply malus or clawback where there are circumstances which would justify such action.

(j) Dividend equivalents

Following the vesting of a conditional share award or the exercise of an option, a participant may, if the Remuneration Committee so determines, receive in respect of the Ordinary Shares acquired further Ordinary Shares equal in value (so far as possible) to any dividends paid or payable between the date of grant of the LTIP Award and the date of vesting.

9.10 Cobham Deferred Bonus Share Plan (DBSP)

The terms of the DBSP match to a significant extent the terms of the LTIP, save as set out below:

(a) General

The DBSP permits the grant of conditional share awards and nil-cost options (together referred to as **DBSP Awards**) over Ordinary Shares. Such part of any annual bonus awarded to an employee as the Remuneration Committee determines may be deferred and received in the form of a DBSP Award.

(b) Grant of DBSP Awards

DBSP Awards may be granted under the DBSP at any time subject to any restrictions imposed by the Company's share dealing code and the Market Abuse Regulation.

(c) Individual limit

The DBSP Award will be granted over the whole number of Ordinary Shares as have a market value (determined on the Dealing Day preceding the date of grant) no greater than the amount or percentage of the deferred part of the employee's bonus.

(d) Conditions

A DBSP Award may be granted subject to any conditions the Remuneration Committee determines at the time of grant. The vesting of DBSP Awards will not be subject to performance conditions.

(e) Normal vesting

DBSP Awards will normally vest on the third anniversary of the date of grant, provided that the participant is still employed by the Group at that time.

(f) Cessation of employment before the vesting date

If a participant ceases to be employed within the Group before the vesting date of an DBSP Award because of injury, ill health, or disability or redundancy, or because of the sale of the participant's employing company or business out of the Group or for any other reason determined by the Remuneration Committee, the participant's DBSP Award will vest on the normal vesting date or, at the discretion of the Remuneration Committee, on the date of cessation. In such circumstances, options will remain exercisable for a period of six months after vesting.

If a participant ceases employment before the vesting date in other circumstances, the participant's DBSP Award(s) will lapse, unless the Remuneration Committee determines otherwise. If a participant ceases employment after the vesting date of an option, the option may be exercised for the period of 6 months (12 months in the case of death) following cessation and will then lapse.

(g) Extent of vesting if vesting is before the vesting date

If a DBSP Award vests before its vesting date (following a participant's cessation of employment or a change of control) the number of Ordinary Shares in respect of which the DBSP Award will vest will be pro-rated to take account of the time elapsed between the date of grant and the date of the relevant event (save that the Remuneration Committee may determine that a DBSP Award will vest as to a greater or lesser number of Ordinary Shares if it believes there are circumstances that warrant such a determination).

9.11 *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

Under Cobham's 2014 approved policy, the Company may make a payment into a pension scheme (for example a defined contribution plan) and/or make a cash allowance payment set as a percentage of salary.

For the financial year ended 2016, the Company contributed to former CEO Robert Murphy's and former CFO Simon Nicholls' retirement plans at a rate of 20 per cent. of their respective base salaries. The pension contribution to Robert Murphy for the financial year ended 2016 was £243,000 in total, comprised of: (i) £11,000 under a qualified 401k plan (which has limits on the level of contribution which can be made to it);

and (ii) £232,000 under a non-qualifying executive retirement plan. The pension contribution for Simon Nicholls for the financial year ended 2016 was £88,000 in total, comprised of: (i) £10,000 to an executive defined contribution plan (capped at the annual allowance); and (ii) £78,000 paid as a cash allowance in lieu of additional defined contribution arrangements.

David Lockwood receives an annual pension allowance of up to 25 per cent. of his base salary, which is paid by way of a cash allowance in lieu of pension contributions. As David joined the board on 12 December 2016, the amount paid under his pension allowance for the financial year ended 2016 was a pro rata figure of £9,914.

Therefore, for the financial year ended 31 December 2016, Cobham contributed £340,914 to defined contribution money purchase pension schemes for the Directors.

Going forward, David Mellors (who joined the Board on 1 January 2017) will receive an annual pension allowance of up to 20 per cent. of his base salary, which will be paid by way of a cash allowance in lieu of pension contributions.

11. Undertakings

Cobham is the principal operating and holding company of the Group. The subsidiary undertakings of Cobham are set out on pages 128 to 130 of the 2016 Annual Report and Accounts, as described in Part VI: “*Information Incorporated by Reference*” of this Prospectus. During the period from 31 December 2016 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 28 March 2017, the Company and the Joint Underwriters entered into the Underwriting Agreement, pursuant to which the Company has appointed BofA Merrill Lynch and J.P. Morgan Cazenove as Joint Sponsors and Joint Bookrunners, and BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays 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 an aggregate commission of 2.25 per cent. of the amount equal to the product of the Rights Issue Price multiplied by the aggregate number of New Ordinary Shares (plus any applicable VAT). Out of such commission the Joint Underwriters shall pay or procure the payment of any 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) the passing of the Resolutions (without any material amendment) at the General Meeting;
- (B) Admission occurring not later than 8.00 a.m. on the first Dealing Day after the General Meeting or such later time and/or date as the Company and the Joint Underwriters may agree (being not later than 29 June 2017);

- (C) 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 Joint Sponsors 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);
- (D) 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;
- (E) no event requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplementary prospectus being published by or on behalf of the Company before Admission; and
- (F) 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 (whether or not foreseeable at the date of the Underwriting Agreement).

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: (i) 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; (ii) undertake any consolidation or subdivision of its share capital or any capitalisation issue; or (iii) 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 on or prior to Admission by any 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.

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 XVI.

14.2 *Standby Underwriting Letter for the Rights Issue*

On 2 March 2017, the Company entered into a standby underwriting letter (the **Standby Underwriting Letter**) with BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays (together, the **Joint Underwriters**), pursuant to which the Joint Underwriters agreed to underwrite severally (in their respective proportions) the Rights Issue, 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.

14.3 *2016 Standby Underwriting Letter and 2016 Underwriting Agreement*

On 26 April 2016, the Company entered into a standby underwriting letter (the **2016 Standby Underwriting Letter**) with the 2016 Banks, pursuant to which the 2016 Banks 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 2016 Standby Underwriting Letter. The 2016 Standby Underwriting Letter automatically terminated in accordance with its terms upon the execution of the 2016 Underwriting Agreement.

On 1 June 2016, the Company and the 2016 Banks entered into an underwriting agreement (the **2016 Underwriting Agreement**), pursuant to which the 2016 Banks were appointed as Joint Underwriters and joint underwriters in connection with the 2016 Rights Issue. Closing of the 2016 Rights Issue and admission of the rights issue shares to the Official List and to trading on the London Stock Exchange's main market for listed securities took place on 17 June 2016. In consideration for the services provided by the 2016 Banks in connection with the 2016 Rights Issue, Cobham paid the 2016 Banks a commission agreed between the 2016 Banks and Cobham, together with all properly incurred out-of-pocket expenses of the 2016 Banks in connection with the 2016 Rights Issue. The 2016 Underwriting Agreement contains certain warranties, undertakings and indemnities by Cobham in favour of the 2016 Banks that are customary in such an agreement.

14.4 *The Royal Bank of Scotland PLC Revolving Credit Facility Agreement*

On 11 October 2011, the Company entered into a US\$360,000,000 revolving credit facility agreement with The Royal Bank of Scotland PLC as facility agent (as subsequently amended on 3 September 2012 and amended and restated on 6 June 2013, the **U.S. Dollar RCF**). The U.S. Dollar RCF is available to be utilised for the general corporate purposes of the Group. The available commitments under the U.S. Dollar RCF now aggregate US\$270,000,000.

The U.S. Dollar RCF includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if a lender so required). The U.S. Dollar RCF is unsecured and terminates on 11 October 2018. The U.S. Dollar RCF contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with the Company's other existing corporate borrowings as at the date the U.S. Dollar RCF was most recently amended and restated.

The U.S. Dollar RCF and any non-contractual obligations arising out of or in connection with it is governed by English law.

14.5 *Commerzbank AG, London Branch, Revolving Credit Facility Agreement*

On 18 June 2012, the Company entered into a €70,000,000 revolving credit facility agreement with Commerzbank AG, London Branch (as subsequently amended on 18 May 2015, the **Commerzbank RCF**). The Commerzbank RCF is available to be utilised for the general corporate purposes of the Group.

The Commerzbank RCF includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if the lender so required). The Commerzbank RCF is unsecured and terminates on 11 October 2018. The Commerzbank RCF contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with the Company's other existing corporate borrowings as at the date the Commerzbank RCF was entered into.

The Commerzbank RCF and any non-contractual obligations arising out of or in connection with it is governed by English law.

14.6 *Danske Bank A/S Revolving Credit Facility Agreement*

On 22 June 2012, the Company entered into a DKK525,000,000 revolving credit facility agreement with Danske Bank A/S (as extended pursuant to a letter dated 2 June 2014, the **Danske RCF**). The Danske RCF is available to be utilised for the general corporate purposes of the Group.

The Danske RCF includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if the lender so required). The Danske RCF is unsecured and terminates on 11 October 2018. The Danske RCF contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with the Company's other existing corporate borrowings as at the date the Danske RCF was entered into.

The Danske RCF and any non-contractual obligations arising out of or in connection with it is governed by English law.

14.7 *The Australia and New Zealand Banking Group Limited Revolving Credit Facility Agreement*

On 21 February 2014, the Company entered into an A\$90,000,000 revolving credit facility agreement with The Australia and New Zealand Banking Group Limited (the **ANZ RCF**). The ANZ RCF is available to be utilised for the general corporate purposes of the Group.

The ANZ RCF includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if the lender so required). The ANZ RCF is unsecured and terminates on 11 October 2018. The ANZ RCF contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with the Company's other existing corporate borrowings as at the date the ANZ RCF was entered into.

The ANZ RCF and any non-contractual obligations arising out of or in connection with it is governed by English law.

14.8 *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 US\$75,000,000 2.68% Series A Senior Notes due 28 October 2017, US\$180,000,000 3.41% Series B Senior Notes due 28 October 2019, US\$250,000,000 3.90% Senior Notes due 28 October 2021 and US\$425,000,000 4.26% Senior Notes 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.

14.9 *Term Loan Agreement*

On 15 May 2015, the Company entered into a US\$185,000,000 term loan agreement with Bank of America Merrill Lynch International Limited as arranger and as agent (the **Term Loan**). The Term Loan was to 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 Loan included mandatory prepayment events, including (a) illegality and (b) a change of control of the Company (if a lender so required). The Term Loan was unsecured. The Term Loan contained customary representations, warranties, covenants (including financial covenants) and events of default consistent with its other existing corporate borrowings as at the date the Term Loan was entered into.

The Term Loan and any non-contractual obligations arising out of or in connection with it was governed by English law.

The Term Loan was repaid in full by the Company on 5 August 2016 and accordingly the Term Loan terminated on 5 August 2016.

14.10 *The Royal Bank of Scotland PLC Term Facility Agreement*

On 22 December 2008, the Company entered into a US\$75,000,000 term facility agreement with The Royal Bank of Scotland PLC (as amended and restated on 22 October 2010, the **RBS Facility**). The RBS Facility was available to be utilised to refinance existing indebtedness of the Group in 2008.

The RBS Facility includes mandatory prepayment events, including (a) illegality and (b) a change of control of the Company. Interest on the loan under The RBS Facility accrues at a rate which is reset at three yearly intervals (the next reset date is 31 December 2019). The RBS Facility is unsecured and matures on 31 December 2031, subject to the lender's option to require repayment of the facility on each interest reset date. The RBS Facility contains customary representations, warranties, covenants (including financial covenants) and events of default consistent with the Company's other existing corporate borrowings as at the date the RBS Facility was amended and restated.

The RBS Facility and any non-contractual obligations arising out of or in connection with it is governed by English law.

14.11 *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**), US\$40,000,000 (the **US\$ 5 year Schuldschein**) and EUR4,000,000 (the **Euro 7 year Schuldschein** and, together with the Euro 5 year Schuldschein and US\$ 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 US\$ 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 United Kingdom 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 United Kingdom 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

A UK resident individual Shareholder is entitled to an annual dividend tax-free allowance on the first £5,000 of dividend income (reducing to £2,000 from 6 April 2018). The rates of tax (for the tax year 6 April 2017 to 5 April 2018) 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 United Kingdom 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 United Kingdom 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 (19 per cent. from 1 April 2017, reducing to 17 per cent. from 1 April 2020).

(c) Non-UK resident Shareholders

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 United Kingdom for tax purposes should consult their own tax advisers concerning their tax liabilities (in the United Kingdom 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.

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 Nil Paid Rights

Shareholders who sell all or any of their rights to New Ordinary Shares, or allow those 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 the preceding paragraph 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 United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom 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 United Kingdom 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.

The applicable rate of capital gains tax (for the tax year 6 April 2017 to 5 April 2018) 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 the purchaser will normally be liable to pay 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 per cent. 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 per cent. 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 per cent. 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; (xii) U.S. expatriates and former long-term residents of the United States; and (xiii) investors that make mark to mark elections), 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.

The United States federal income tax treatment of a partner in an entity treated as a partnership for US federal income tax purposes that holds Nil Paid Rights or New Ordinary Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships that hold Nil Paid Rights or New Ordinary Shares should consult their own tax advisers regarding the specific US federal income tax consequences to their partners from the acquisition, ownership and disposition of Nil Paid Rights or New Ordinary Shares.

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 passive foreign investment company (**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 and any tax basis from Existing Ordinary Shares that was allocated to the Nil Paid Rights will be reallocated back to such Existing Ordinary Shares.

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 Fully 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 2016 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 2016 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 or was 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 US\$50,000 at the end of the taxable year or US\$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 XVI is also relevant. See in particular paragraph 15.4 of this Part XVI relating to stamp duty and stamp duty reserve tax.

18. Litigation and Arbitration

18.1 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.

18.2 On 24 March 2017, the Company was informed orally by the FCA that it was being referred to the FCA's Enforcement Division for investigation in connection with the Company's handling of inside information prior to its trading update and announcement of its intention to undertake the 2016 Rights Issue on 26 April 2016. The Company is cooperating fully with the FCA and will update the market on the outcome as and when appropriate.

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 2014, 2015 and 2016, and during the period between 31 December 2016 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 Existing Facilities, 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 31 December 2016, being the date to which the latest audited consolidated financial statements of the Group incorporated by reference in this Prospectus (see Part VI: "*Information Incorporated by Reference*" 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 Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report set out in Part XV: “*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.

24.2 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 £16 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 £12 million payable to the Joint Underwriters. 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 £497 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 Underwriters 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 Underwriters have performed various investment banking, financial advisory and other services for the Company, for which it received customer fees, and the Joint Underwriters and their affiliates may provide such services in the future. Each of the Joint Underwriters 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>2016</u>	<u>2015</u>	<u>2014</u>
Mission Systems	1,588	1,556	1,465
Advanced Electronic Solutions	3,103	3,590	2,802
Communications and Connectivity	3,561	4,487	3,841
Aviation Services	2,316	2,468	2,405
Head office and other activities	330	426	393
Non-core businesses	—	—	35
Total	<u>10,898</u>	<u>12,527</u>	<u>10,941</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. Copies of the following documents will also be available for inspection at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD, United Kingdom at the General Meeting for at least 15 minutes prior to and during the meeting.

- (a) the existing Articles;
- (b) the consent letter referred to in paragraph 24 of this Part XVI;
- (c) the consolidated financial information relating to the Cobham Group as at and for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 and the relevant auditor's report thereon by PwC incorporated by reference in Part VI: "*Information Incorporated by Reference*" of this Prospectus;
- (d) the unaudited pro forma financial information and the report thereon by Deloitte LLP set out in Part XV: "*Unaudited Pro Forma Financial Information of the Cobham Group*" of this Prospectus; and
- (e) this Prospectus.

Dated 28 March 2017

PART XVII

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

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
2016 Annual Report and Accounts	Cobham's annual report and accounts for the year ended 31 December 2016
2016 Banks	BofA Merrill Lynch and Jefferies International Limited
2016 Rights Issue	the 1 for 2 rights issue for 569,287,950 new ordinary shares launched by Cobham on 1 June 2016 and further described in Part XVI: " <i>Additional Information</i> " of this Prospectus
2016 Rights Issue Shares	the 569,287,590 new ordinary shares issued in connection with the 2016 Rights Issue
2016 Standby Underwriting Letter	the standby underwriting letter dated 26 April 2016 and entered into between Cobham, BofA Merrill Lynch and J.P. Morgan Cazenove relating to the 2016 Rights Issue and further described in Part XVI: " <i>Additional Information</i> " of this Prospectus
2016 Underwriting Agreement	the underwriting agreement dated 1 June 2016 and entered into between Cobham, BofA Merrill Lynch and Jefferies Securities Limited relating to the 2016 Rights Issue and further described in Part XVI: " <i>Additional Information</i> " of this Prospectus
AARGM	Advanced Anti-Radiation Guided Missile
ACARS	Aircraft Communications Addressing and Reporting System
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 paragraph 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.
AESA	Active Electronically Scanned Array
AMRAAM	Advanced Medium-Range Air-to-Air Missile
Annual Incentive Plan	Cobham's 2016 annual incentive plan for employee cash bonus awards
ANZ RCF	has the meaning given in paragraph 14.7 of Part XVI: " <i>Additional Information</i> " of this Prospectus
Articles	the articles of association of Cobham
ASICs	Application Specific Integrated Circuits
ASM	air separation module
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
AXIe	Advanced TCA Extensions for Instrumentation and Test
Barclays	Barclays Bank PLC
BBA	Bipartisan Budget Act of 2015
BCA	Budget Control Act of 2011
Board	the board of directors of Cobham from time to time
Boeing	the Boeing Company
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
C4ISR	command, control, communications, computers, intelligence, surveillance and reconnaissance
CAES Board	the board of the Advanced Electronic Solutions Sector
CAGR	compound annual growth rate
Canadian Offering Memorandum	the Canadian Offering Memorandum described in paragraph 7.5 of Part IX: “ <i>Terms and Conditions of the Rights Issue</i> ” of this Prospectus
certificated or certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
Chairman	Michael Wareing
Chief Executive Officer	David Lockwood
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
Co-Bookrunner	Barclays
Cobham Bonus Co-Investment Plan	the Bonus Co-Investment Plan described in paragraph 6 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham Deferred Bonus Share Plan	the Deferred Bonus Share Plan described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham Long Term Incentive Plan	the Long Term Investment Plan described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus

Cobham plc Executive Share Option Plan or CSOP	the Executive Share Option Plan described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham Performance Share Plan or PSP	the Performance Share Plan described in 6 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc Performance Share Plan 2007	the Performance Share Plan described in paragraph 9 of Part XVI: “ <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 XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc Share Incentive Plan	the Share Incentive Plan described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Cobham plc U.S. Conditional Share Plan	the Conditional Share Plan described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Commerzbank RCF	has the meaning given in paragraph 14.5 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Companies Act	the Companies Act 2006, as amended
Company or Cobham	Cobham plc
Corporations Act	the Corporations Act 2001 (Cth) Australia
CR&S	corporate responsibility and sustainability
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 in 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 Proxy Instruction	the CREST Proxy Instruction described in paragraph 8 of the Notice of General Meeting
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
Danish krone or DKK	the lawful currency of Denmark
Danske RCF	has the meaning given in paragraph 14.6 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus

DAS	distributed antenna systems
Dealing Day	a day on which dealings in domestic equity market securities may take place on London Stock Exchange's main market for listed securities
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
Directors	the Executive Directors and Non-Executive Directors of Cobham
Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Part VI of the FSMA
Disclosure Requirements	articles 17, 18 and 19 of the Market Abuse Regulation
DoD	United States Department of Defense
DSS	U.S. Defence Security Service
e2v	e2v technologies plc
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)
EPS	earnings per share
ERP	enterprise resource planning
ESG	environmental, social and corporate governance
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
Euro 5 year Schuldschein	has the meaning given in paragraph 14.11 of Part XVI: " <i>Additional Information</i> " of this Prospectus
Euro 7 year Schuldschein	has the meaning given in paragraph 14.11 of Part XVI: " <i>Additional Information</i> " of this Prospectus
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	the date that the Existing Ordinary Shares will be marked "ex-rights" by the London Stock Exchange, expected to be 8.00 a.m. on 19 April 2017

Excluded Territories	Australia, Canada, Dubai International Financial Centre, Guernsey, Japan, Jersey, New Zealand, Singapore, Switzerland, The Republic of South Africa and the United States and any jurisdiction where the extension and/or 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	David Lockwood and David Mellors
Existing Facilities	the U.S. Dollar RCF, the Commerzbank RCF, the Danske RCF, the ANZ RCF, the U.S. Private Placement Notes, the RBS Facility and the Schuldschein Facilities, collectively
Existing Ordinary Shares	the ordinary shares of 2.5 pence each in the capital of Cobham at the Record Date
FAA	Federal Aviation Administration
FBH	FB Heliservices Limited
FCA	the UK Financial Conduct Authority
FCPA	United States Foreign Corrupt Practices Act of 1977
FIEA	the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended)
FOCI	foreign ownership, control or influence
Form of Proxy	the form of proxy for use at the General Meeting
FPAs	flat-panel antennas
FSMA	the UK Financial Services and Markets Act 2000, as amended
Fully Paid Rights	rights to subscribe for New Ordinary Shares, fully paid
General Meeting	the general meeting of Cobham to be held in connection with the Rights Issue at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD on 18 April 2017 at 10.00 a.m. (London time)
GHG	greenhouse gas emissions
Group or Cobham Group	Cobham and its subsidiaries and subsidiary undertakings, and, where the context requires it, its associated undertakings from time to time
GSC	the government security committee of the CAES Board
HMRC	HM Revenue and Customs
HTS	high throughput satellite
IdDAS	the Group's intelligent digital distributed antenna system
IFEC	in-flight entertainment & connectivity
IFRS	International Financial Reporting Standards
Independent Non-Executive Directors	Jonathan Flint, Alan Semple, Alison Wood, Michael Hagee and Birgit Nørgaard

Inmet	Inmet, Inc.
Inside Directors	the Company’s chief executive officer and chief financial officer
IP	intellectual property
IRS	the Internal Revenue Service
IT	information technology
ITAR	U.S. International Traffic in Arms Regulations
Joint Bookrunners	BofA Merrill Lynch and J.P. Morgan Cazenove
Joint Sponsors	BofA Merrill Lynch and J.P. Morgan Cazenove
Joint Underwriters	BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays
J.P. Morgan Cazenove	J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove
Ka-Band	the SATCOM frequency range from 17.7 to 31.2 GHz
KC-46	Boeing KC-46, an aerial refuelling tanker currently being developed for the U.S. Air Force to replace its ageing fleet of KC-135 Stratotankers
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	24 March 2017 (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
LRIP	low-rate initial production
LRU	line replaceable unit
Market Abuse Regulation	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
Member State	member state of the EU
Money Laundering Regulations	Money Laundering Regulations 2007
MSS	mobile satellite services
MTM Instruction	Many-To-Many instruction
New Plans	the Cobham Long Term Incentive Plan and the Cobham Deferred Bonus Share Plan, as further described in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus, which will be submitted to Shareholders for approval at the Company’s annual general meeting on 27 April 2017
New Ordinary Shares	the 683,145,540 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	Michael Wareing, Jonathan Flint, Alan Semple, Alison Wood, Michael Hagee and Birgit Nørgaard
Note Purchase Agreement	has the meaning given in paragraph 14.8 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Notice of General Meeting	the notice of General Meeting set out in this Prospectus
OCO	Overseas Contingency Operations
OEMs	original equipment manufacturers
OFAC	Office of Foreign Assets Control
Officer Directors	the Advanced Electronic Solutions Sector chief executive officer and chief financial officer
Official List	the Official List maintained by the FCA
Ordinary Shares	ordinary shares of 2.5 pence each in the capital of Cobham
Outside Directors	non-executive directors approved by the DSS
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
PDMR	person discharging managerial responsibilities within the meaning of Section 96B(1) of the FSMA
PFIC	passive foreign investment company
Plan Shares	free shares, partnership shares and matching shares, together
Plans	the Share Schemes
pounds sterling or £	means the lawful currency of the United Kingdom of Great Britain and Northern Ireland
PRA	UK Prudential Regulation Authority
Preference Shares	the 6 per cent. second cumulative preference shares of £1 each in the Company
Prospectus	this document which comprises a prospectus and a circular
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
PwC	PricewaterhouseCoopers LLP
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
R&D	research and development
RAIMS	Radio Audio Integrated Management System
RBS Facility	has the meaning given in paragraph 14.10 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Record Date	close of business on 12 April 2017
Register	the Company’s register of members
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
Relevant Proportions	in the case of BofA Merrill Lynch, 40 per cent., in the case of J.P. Morgan Cazenove, 40 per cent. and in the case of Barclays, 20 per cent.
Remuneration Committee	the committee described in paragraph 3.2 of Part XII: “ <i>Directors and Corporate Governance</i> ” of this Prospectus
Resolutions	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting and as detailed in Part VII: “ <i>Letter from the Chairman of the Company</i> ” of this Prospectus
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	75 pence per New Ordinary Share

RSCM	Responsible Supply Chain Management
Rule 144A	Rule 144A under the Securities Act
SAR	search and rescue
SATCOM	satellite communication
SCA	Software Controlled Architecture
Schuldschein	has the meaning given in paragraph 14.11 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Schuldschein Facilities	has the meaning given in paragraph 14.11 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
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 6 of Part XVI: “ <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, the Cobham plc U.S. Conditional Share Plan and the Cobham plc U.S. Employee Stock Purchase Plan, as detailed in paragraph 9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
SHE	safety, health and environment
SID or Senior Independent Director	Jonathan Flint, the senior independent director appointed by the Board
SSA	Special Security Agreement
Standby Underwriting Letter	the standby underwriting letter entered into between Cobham, BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays relating to the Rights Issue and further described in Part XVI: “ <i>Additional Information</i> ” of this Prospectus
Takeover Panel	the Panel on Takeovers and Mergers
Term Loan	has the meaning given in paragraph 14.9 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
TVRO	television receive-only
UK Corporate Governance Code	the UK Corporate Governance Code dated April 2016 issued by the Financial Reporting Council
UK Listing Authority	the FCA when it is exercising its powers under Part VI of FSMA

Underwriting Agreement	the underwriting agreement entered into between Cobham, BofA Merrill Lynch, J.P. Morgan Cazenove and Barclays relating to the Rights Issue and further described in Part XVI: “ <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
US\$ 5 year Schuldschein	has the meaning given in paragraph 14.11 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
U.S. dollars or US\$	the lawful currency of the United States of America
U.S. Dollar RCF	has the meaning given in paragraph 14.4 of Part XVI: “ <i>Additional Information</i> ” of this Prospectus
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 XVI: “ <i>Additional Information</i> ” of this Prospectus
U.S. Private Placement Notes	has the meaning given in paragraph 14.8 of Part XVI: “ <i>Additional Information</i> ”
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
VSAT	very-small-aperture terminal
WARPs	wing aerial refuelling pods
Weinschel	Weinschel, Inc.
X-band	the SATCOM frequency range from 8.0 to 12.0 GHz

COBHAM PLC

(registered in England and Wales with registered number 30470)

NOTICE IS HEREBY GIVEN that a General Meeting of Cobham plc (the Company) will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD at 10.00 a.m. on 18 April 2017, for the purposes of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. That, subject to and conditional on admission to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange plc's main market for listed securities of the new ordinary shares with a nominal value of 2.5 pence each to be issued by the Company in connection with the issue by way of rights of 683,145,540 new ordinary shares at a price of 75 pence per new ordinary share to qualifying shareholders on the register of members of the Company at close of business on 12 April 2017 (the **Rights Issue**), and in addition to all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company, up to an aggregate nominal amount of £17,078,638.50 pursuant to or in connection with the Rights Issue, such authority to expire at the close of business on 31 December 2017, save that the Company may allot shares in connection with the Rights Issue pursuant to any agreement entered into at any time prior to such expiry (whether before or after the passing of this resolution) which would, or might, require shares in the Company to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such agreement as if this authority had not expired.

SPECIAL RESOLUTION

2. That, subject to and conditional on the passing of resolution 1 above, and in addition to all existing authorities, the Directors be authorised pursuant to section 571 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the authority given by resolution 1 above, as if section 561(1) of the Companies Act 2006 did not apply to the allotment, such authority to be limited to the allotment of equity securities in connection with the Rights Issue up to a maximum nominal amount of £17,078,638.50, such authority to expire at the close of business on 31 December 2017, save that the Company may allot shares in connection with the Rights Issue pursuant to any agreement entered into at any time prior to such expiry (whether before or after the passing of this resolution) which would, or might, require shares in the Company to be allotted as rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such agreement as if this authority had not expired.

By order of the board of directors of the Company

Lyn Colloff
Company Secretary

28 March 2017

Registered office:

Brook Road
Wimborne
Dorset
BH21 2BJ
England

Notes to the Notice of General Meeting

The following notes explain your general rights as a shareholder and your rights to attend and vote at the General Meeting or to appoint someone else to vote on your behalf.

1. A copy of this Notice of General Meeting, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website www.cobhaminvestors.com.
2. Only those persons entered on the register of members of the Company (the **Register**) as at 6.30 p.m. on 12 April 2017 (the **Specified Time**) shall be entitled to attend or vote at the General Meeting (either in person or by proxy) in respect of the number of shares in the capital of the Company registered in their names at that time. Changes to entries on the Register for certificated or uncertificated shares of the Company after the Specified Time shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

Should the General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned General Meeting. Should the General Meeting be adjourned for a longer period, to be so entitled members must have been entered on the Register by 6.30 p.m. two days prior to the adjourned General Meeting or, if the Company gives notice of the adjourned General Meeting, at the time specified in such notice.

3. Any member of the Company who is unable or does not wish to attend the General Meeting is entitled to appoint one or more proxies to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. Appointing a proxy does not prevent a member from attending and voting in person if he or she is entitled to do so and so wishes.
4. A Form of Proxy for use by members in connection with the General Meeting is enclosed with this notice. Proxies may be appointed by completing a Form of Proxy and returning it in accordance with note 6 below. (Details of how to appoint a proxy are set out in the notes to the Form of Proxy.) As an alternative to completing a hard copy Form of Proxy, proxies may be appointed electronically in accordance with note 7 below. CREST Members may appoint proxies using the CREST electronic proxy appointment service (see note 8 below).
5. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by the member. To do this a member must complete a separate Form of Proxy for each proxy or, if appointing multiple proxies electronically, follow the instructions given on the relevant electronic facility (see notes 7 and 8 below). Members can copy their original Form of Proxy, or additional Forms of Proxy can be obtained from Equiniti Limited on 0333 207 6536 or +44 121 415 0286 if calling from overseas. Lines are open from 8:30am to 5:30pm, Monday to Friday, excluding bank holidays. A member appointing more than one proxy should indicate on the relevant Forms of Proxy the number of shares for which each proxy is authorised to act on his or her behalf.
6. To be valid any Form of Proxy must be completed and received by hand or by post at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours, excluding non-working days, before the time of the General Meeting or any adjournment thereof. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any power of attorney or any other authority under which the Form of Proxy is signed (or a certified copy of such authority) must be included with the Form of Proxy. A member must inform the Company's registrars in writing of any termination of the authority of a proxy.
7. As an alternative to completing a hard copy Form of Proxy, a member can appoint a proxy electronically by visiting www.sharevote.co.uk. You will need your Voting I.D., Task I.D. and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy). Full instructions are given on the website. The proxy appointment and instructions should reach Equiniti Limited not less than 48 hours, excluding non-working days, before the time appointed for the holding of the General Meeting or any adjournment thereof. You are advised to read the terms and conditions of use carefully. Any electronic communication found to contain a computer virus will not be accepted.
8. CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the Notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST Members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any or all joint holders of shares may attend the General Meeting, although only one holder may vote in person or by proxy. In the case of joint holders, where more than one of the joint holders purports to vote or to appoint a proxy, only the vote or appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register in respect of the joint holding (the first-named being the most senior).
11. If two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
12. A member of the Company which is a corporation can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Any person to whom this Notice of General Meeting is sent and who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **Nominated Person**) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes 3 to 7 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) in matters relating to the investment of their shares.
14. Voting on the resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. As soon as practicable following the General Meeting, the results of the voting at the meeting and the numbers of all votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website www.cobhainvestors.com.
15. A member attending the meeting has the right to ask questions. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

16. As at 24 March 2017 (being the latest practicable date prior to the publication of this Notice of General Meeting), the Company's issued share capital consists of 1,783,815,575 Ordinary Shares of 2.5 pence nominal value, with 75,951,724 shares held as treasury shares (representing 4.4 per cent. of the total ordinary share capital (excluding such shares) in issue as at 24 March 2017), and 19,700 Preference Shares of £1 nominal value. Treasury shares retain no voting rights. On a poll, there is one vote for every £1 in nominal value of shares. Therefore, the total number of voting rights in the Company as at 24 March 2017 is 42,716,296.
17. You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

