3 AUGUST 2018

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INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2018

Business and balance sheet in better shape

	Note	Statutory results		Underlying results[1]	
£m		**H1 2018**	H1 2017	**H1 2018**	H1 2017
Order intake		**1,027.1**	915.8	**1,027.1**	915.8
Revenue		**924.5**	1,028.2	**924.5**	1,028.2
Organic revenue growth	2	**-%**		**-%**	
Operating profit		**208.8**	38.9	**90.4**	94.1
Operating margin				**9.8%**	9.2%
Earnings per share		**6.9p**	0.9p	**2.0p**	2.7p
Operating cash conversion	3			**38%**	115%
Free cash flow				**9.2**	64.6
Net debt	4	**53.6**	460.8	**53.6**	460.8
Net debt/EBITDA	4			**0.2x**	1.5x

Underlying results are presented to assist with the understanding of the Group's performance trends. These measures are defined in the notes on page 3 and reconciled to GAAP measures in this statement on page 20. Results include the impact of IFRS 15 (2017 restated).

- Encouraging operational and underlying financial progress evidenced by growing order intake and some operating margin improvement, with stronger balance sheet following divestments
- Improved portfolio focus following AvComm and Wireless divestment during the period for US$455m cash; £216.3m total non-underlying profit on divestments
- 26 July update on KC-46 tanker development including programme status, unquantified customer damages assertions and additional £40m non-underlying own costs to complete
- Full year 2018 underlying profit expectations unchanged
- Modest increase in underlying operating profit on prior year after reassessment of certain provisions (£4.3m net credit), adverse currency translation (£4.1m) and lost contribution from divestments (£5.6m)
- As expected, free cash flow includes utilisation of the 2016 exceptional charges of (£43.8m), other working capital outflows (£17.5m) and accelerated interest costs on debt pay-down (£20.4m); net debt £53.6m at 30 June 2018

David Lockwood, Cobham Chief Executive Officer, said:

"These underlying results show that we are making encouraging progress to improve our operational performance, with the business and the balance sheet in better shape. Risks and challenges remain and we are continuing to engage with Boeing to resolve the issues around the KC-46 tanker programme.

Cobham has differentiated technologies and know-how and leading positions in a number of attractive markets, with global defence budgets being driven by heightened security threats. Overall, the Board's expectations for 2018 Group underlying profit remains unchanged, and we continue to have confidence in our medium and longer term outlook."

ENQUIRIES

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INTERIM RESULTS PRESENTATION INCLUDING WEBCAST AND DIAL-IN DETAILS

There will be an interim results presentation at 9.30am UK time on Friday, 3 August 2018, with a live webcast on the Cobham website (www.cobhaminvestors.com). The webcast will be available on the website for subsequent viewing. There will also be a live audio dial-in facility available which can be accessed in the UK and internationally on +44 (0) 20 3003 2666, confirmation code Cobham and in the US/Canada on +1 646 843 4608, confirmation code Cobham.

A PDF of this interims announcement is available for download from www.cobhaminvestors.com/reports-and-presentations/2018.

The following notes apply throughout these interim results:

1. *To assist with the understanding of earnings trends, the Group has included within its interim financial statements non-GAAP alternative performance measures including underlying operating profit and underlying profit. The non-GAAP measures used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.*

   Management uses underlying measures to assess the operating performance of the Group, having adjusted for specific items as defined below. They form the basis of internal management accounts and are used for decision making including capital allocation, and a subset also forms the basis of internal incentive arrangements. By using underlying measures in our segmental reporting, this further ensures readers of the financial statements can recognise how incentive performance is targeted. Underlying measures are also presented in this report because the Directors believe they provide additional useful information to shareholders on comparative trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items (explained in detail in note 3 on page 32); this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements. In 2016 certain exceptional items were adjusted for and excluded from underlying measures due to their unusual size and incidence, arising out of the January 2017 Balance Sheet review and including revisions to the carrying value of assets, additional contract loss provisions and legal and other provisions. Where relevant, updates to, and the final outcome of, these items are presented consistently with this treatment as exceptional charges or credits as appropriate.

   All underlying measures include the operational results of all businesses including those held for sale until the point of sale. These definitions are applied consistently on a year to year basis.

   Underlying operating profit has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity and prior periods' business restructuring costs. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, gains and losses arising on dividend related foreign exchange contracts and other items deemed by the Directors to be of a non-operating nature including the impairment of intangible assets. Changes in items previously treated as exceptional in 2016 will also be adjusted.

   Underlying profit before taxation is defined as underlying operating profit less net underlying finance costs, which exclude business acquisition and divestment related items and specific finance costs.

   A reconciliation of the statutory results to the respective underlying measures is shown on page 21.

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

3. *Free cash flow and operating cash flow are considered to provide a consistent measure of the operating cash flow of the Group's business. These alternative performance measures are used in internal management accounts and for decision making, including capital allocation. In addition to underlying profit measures, operating cash conversion is also used for internal incentive arrangements, and presenting this information allows users of the financial statements to better understand the way in which performance is targeted.*

   Free cash flow is defined as net cash from operating activities plus dividends received from joint ventures, less cash flow related to the purchase or disposal of property, plant, equipment and intangible assets but excluding payments relating to business acquisition and divestment related activities. Operating cash flow is free cash flow before payment of tax, interest and restructuring costs. Operating cash conversion is defined as operating cash flow as a percentage of underlying operating profit, excluding the share of post-tax results of joint ventures and associates.

   A reconciliation of underlying operating profit to operating cash flow is shown on page 19.

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

5. *Private Venture (PV or company funded R&D – Research and Development) measures exclude Aviation Services, where, due to the nature of its business, there is no R&D activity. Total PV investment excludes bid costs, with 2017 restated.*

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We have reported Group revenue of £924.5m, with underlying operating profit of £90.4m. This is slightly ahead of expectations, assisted by the reassessment of certain provisions leading to a net credit of £4.3m. As expected, our cash generation has been adversely impacted by a number of factors, including the cash utilisation of the 2016 exceptional charges, an increase in working capital and the previously announced accelerated interest payments on debt pay-down. As a result, free cash flow was £9.2m. However, we have strengthened our balance sheet with net debt reduced to £53.6m at 30 June 2018 (0.2x net debt/EBITDA), and this was mainly due to the net proceeds of the divestment of the AvComm and Wireless test and measurement businesses.

Progress on Restoring Cobham to Strength

As I have stated before, the main components of Cobham's turnaround comprise:

(i) Strengthening the balance sheet;
(ii) Defining and focusing the portfolio on markets we know;
(iii) Resolving the onerous contracts and other legacy items;
(iv) Improving operational execution and effecting culture change.

Building on the steps taken in 2017, the first half of 2018 has been another busy period with progress as follows:

Strengthening the Balance Sheet

The completion of the AvComm and Wireless test and measurement divestment for US$455m in March 2018 has strengthened the balance sheet. The Group's gearing ratio (net debt/ EBITDA) was 0.2x at 30 June 2018, down from 1.3x at 31 December 2017. This is significant progress, as Cobham had a gearing ratio of 3.0x only 18 months ago. However, as I have said before, the gearing ratio is only one aspect of any assessment of Cobham's balance sheet strength.

As stated below, the remaining unutilised balances relating to our 2016 exceptional charges total £113m at 30 June 2018, including the impact from the latest estimates of KC-46 completion costs. We have consistently disclosed contingent liabilities in addition to these balance sheet items. These represent further risks that may crystallise over time.

We expect to set out our target capital structure and capital allocation policy at the year-end after taking into account all of the above.

Defining and Focusing Our Portfolio

Cobham is best placed to generate value when it focuses on its defence, aerospace and space markets and therefore divestment of AvComm and the Wireless test and measurement businesses was a natural step for us. We are pleased to have concluded the process in March 2018, enabling us to concentrate on the Group's retained businesses.

In May 2018, we also divested the 'Opera' software business, also part of the Communications and Connectivity Sector, for £7.8m.

We have restructured the Aviation Services Sector into two regional businesses (UK & EMEA and Australia). This not only facilitates better customer focus from a more clearly defined business identity, it has also removed a layer of management enabling more efficient decision-making and reporting lines, and reduced cost

The new Communications and Connectivity Sector management team has refocused its businesses more coherently and more closely aligned them to their markets with five customer focused business units replacing the four existing businesses. The Advanced Electronic Solution Sector management is also refocusing its existing business units – which have been organised largely around aggregations related to historic acquisitions – into capability focused business units, and delayering its management structure.

Onerous Contract and Other Legacy Issues (2016 Exceptional Charges)

We have continued to progress the contract, legal and regulatory issues that were provided for in the 2016 year end as exceptional charges. The KC-46 tanker programme is the largest of these and we announced an update on 26 July 2018 stating that qualification testing on the Centerline Drogue System (CDS) had been completed and submissions supplied to support achievement of Supplementary Type Certification of the aircraft, with CDS production deliveries having commenced in the period. In addition, the first Federal Aviation Administration conformed Wing Aerial Refuelling Pods (WARP) were delivered in June 2018 to support flight certification testing.

Although there has been progress as outlined above, our customer, Boeing, has made as yet unquantified damages assertions relating to the programme and is withholding payment of Cobham's KC-46 CDS and WARP invoices. Cobham is formally disputing these assertions.

Additionally, we stated that completion of CDS qualification has taken longer and been more challenging than expected. Qualification of the WARP is in its early stages with risks relating to schedule and cost. Completion could take significantly longer than originally planned, and this increases concurrency risk as well as base cost assumptions. The latest estimate of the costs to complete has resulted in the recognition of an additional non-underlying charge of £40m in these Interim Results.

The total remaining balances relating to the exceptional charges at 30 June 2018 was £113m (31 December 2017: £112m), including the £40m KC-46 charge above. Of this total remaining balance £87m (31 December 2017: £82m) is included within provisions and £26m (31 December 2017: £30m) is within other working capital. Net cash outflows in the period relating to these items were £44m (2017: £25m), with the exceptional items expected to be utilised mainly over the next two years.

Separately, the Financial Conduct Authority's investigation into whether the company breached the Listing Rules and the Disclosure and Transparency Rules between April 2016 and February 2017, and the Market Abuse Regulations between July 2016 and February 2017 is ongoing.

Operational Execution and Culture Change

We see signs of progress in our operational execution and in our culture. Senior customer feedback received directly, while realistic about our challenges, is generally appreciative of the improvements being made. We are continuing to invest in the infrastructure at a number of sites – including Wimborne, UK and San Diego in the US – to address some long-standing operational issues. While businesses are responding at different speeds and challenges remain, there have been some notable steps forward.

Improving our operational performance will reduce the significant costs related to late delivery to customers and the re-work of product that has failed post-production quality tests. Reliably and consistently delivering to our customers on-time, on budget and to the required quality standards will yield us more work, which will accelerate top-line growth. In short, making improvements to our operational performance remains the primary means by which we will deliver an improving financial performance, including revenue growth and underlying operating margin enhancement.

Another priority is having a more customer focused, performance based culture with common values. This is the way to promote collaboration and deliver a Group greater than the sum of its parts, and this takes time. The business unit General Managers previously had not been gathered together specifically to share joint challenges and opportunities, and help decide how best to deliver on priorities. In the period we have started bringing this community together quarterly, to foster collaboration and alignment, as well as ensuring ownership and accountability.

Employee engagement and development is a key part of our cultural journey. Aligning the leadership teams and improving communication is vital, but not sufficient. We also need to get the basics right, including better understanding and tracking the experience and talent we have in the Group. We are therefore in the process of implementing a global Human Resources system which will give the transparency we need to allocate resources more effectively, manage skill groups and develop our talent across the Group.

Technology investment

Cobham has continued to invest in technology to provide customers with refreshed capability and lower operating costs, while maintaining the Group's product differentiation, thereby providing the Group with a stream of future revenue, profit and cash. Group Private Venture[5] (PV or company funded R&D – Research and Development) investment, excluding bid costs, was £54.9m (2017: £60.7m), representing 7.2% (2017: 7.2%) of revenue. Excluding divestments and at constant currency, PV investment was £47.7m, representing 6.4% (2017: £41.7m or 5.8%) of revenue.

Important examples of this investment include:

- In the Communications and Connectivity Sector, there has been continued significant investment in the development of the Aviator 'S' SATCOM communications product for the Airbus single aisle and long range aircraft families;

- In the Mission Systems Sector the recently developed next generation On-Board Oxygen Generating System, which now includes a physiological monitoring capability, is entering service with a launch customer and will be bid on further major platform opportunities; and

- In the Advanced Electronic Solutions Sector there is investment in advanced missile data-links. This will give Radio Frequency guided missiles greater operational flexibility, leading to increased international opportunities.

Outlook

Encouraging progress is being made to improve operational performance, with the business and the balance sheet in better shape, although not all businesses are able to respond at the same speed. As previously stated, the necessary actions to complete the turnaround will take time and have associated costs. Risks and challenges remain and we are continuing to engage with Boeing to resolve the issues around the KC-46 tanker programme. Overall the Board's expectations for 2018 Group underlying profit remains unchanged with a range of potential outcomes.

Cobham has differentiated technologies and know-how and leading positions in a number of attractive markets, with global defence budgets being driven by heightened security threats. The Board continues to have confidence in the medium and longer term outlook for the Group.

David Lockwood, OBE
Chief Executive Officer

BOARD

In July the Group announced the appointment of Marion Blakey as a Non-executive Director with effect from 3 August 2018. She has previously undertaken a number of roles of national importance within the US, including Administrator of the Federal Aviation Administration and Chairman of the National Transportation Safety Board. She also served as President and CEO of the Aerospace Industries Association of America and, until June 2018, as Chairman, President, and CEO of Rolls-Royce North America Inc. This is the fourth Non-executive appointment announced within the last twelve months.

General Michael Hagee (retired), Birgit Nørgaard and Alan Semple retired from the Board at the conclusion of the AGM on 25 April 2018. René Médori replaced Alan Semple as Chairman of the Audit Committee on the same date, having been appointed to the Board on 1 January 2018.

FINANCIAL OVERVIEW OF THE PERIOD

Order intake was £1,027.1m (2017: £915.8m). Excluding divestments and at constant currency, 2018 order intake was 25% higher, with a Group book-to-bill of 1.11x.

At 30 June 2018, the Group's order book was £2,656.6m (31 December 2017: £2,596.8m), an increase of 4% on the prior year end, excluding divestments and at constant currency.

Group revenue was £924.5m (2017: £1,028.2m), with adverse impacts from divestments and adverse currency translation. Group organic revenue was unchanged on the prior period, and included the impact from the previously announced completion of certain Aviation Services Sector contracts. This was offset by organic revenue growth of 5% in the Mission Systems Sector, including increased production of Lockheed Martin C-130 and Airbus A330MRTT aerial refuelling shipments. There was also 8% organic revenue growth in the Advanced Electronic Solutions Sector, and this included growth from US and international radar and missile programmes, also in part relating to increasing volumes for the F-35 Joint Strike Fighter.

Group statutory operating profit increased to £208.8m (2017: £38.9m) including lower amortisation of intangible assets arising on business combinations of £45.9m (2017: £72.4m), a credit of £1.7m (2017: £nil) relating to adjustments to legal and other provisions provided at 31 December 2016 and a profit on disposal of £216.3m (2017: £nil). In addition, the Group incurred £nil (2017: £2.4m) on prior period restructuring programmes. Partially offsetting these items were adverse movements in non-hedge accounted derivative financial instruments of £13.7m (2017: £18.2m favourable) and an increase in estimates of fixed price contract profitability of £40.0m (2017: £nil) relating to the KC-46 programme. There was also £nil (2017: £1.4m credit) relating to the adjustments to revisions of the carrying values of other assets provided at 31 December 2016; a debt considered doubtful which was subsequently recovered.

Group underlying operating profit was £90.4m (2017: £94.1m). There was a modest increase in underlying operating profit on the prior year after the impact of the reassessment of certain provisions in the period (£4.3m net credit), adverse currency translation (£4.1m) and the lost contribution from divestments in the period (£5.6m). The reassessments comprised a £4.2m net credit in the Advance Electronic Solutions Sector relating to certain legal, property and inventory provisions and a £4.4m credit in the Aviation Services Sector relating to lease servicing and make good provisions no longer required. These were partially offset by an adverse impact from £4.3m of increased inventory and receivables provisions in the Communications and Connectivity Sector.

The Group's net finance charge was £29.5m (2017: £20.4m). Included in this charge was the net finance expense on cash and debt holdings of £28.4m (2017: £19.3m), of which £20.4m (2017: £nil) related to accelerated interest (make-whole) costs following the debt pay-down in April 2018. Excluding these accelerated interest costs, the net finance charge benefited from lower average debt levels. The non-cash finance charge from pension schemes was unchanged at £1.1m (2017: £1.1m).

The Group's overall tax charge was £13.9m (2017: £0.7m credit) reflecting the Group's profit mix after non-underlying items, including the impact of the tax effect of the divestments. As expected, the Group's underlying effective tax rate was 23.0% (2017: 24.0%) from an underlying tax charge of £14.0m (2017: £17.7m).

Basic EPS was 6.9p (2017: 0.9p) and was favourably impacted by the specific adjusting items to statutory operating profit. Underlying EPS was lower at 2.0p (2017: 2.7p), largely reflecting the adverse impact of the higher net finance charge and the higher average share count.

Operating cash flow was £34.3m (2017: £108.3m), with operating cash conversion of 38% (2017: 115%). This was after the net cash utilisation of the 2016 exceptional charges of £43.8m (2017: £25.0m). Cash flow in the period was also impacted by an expected increase of working capital, which was £21.3m (2017: £21.7m decrease).

Free cash flow was £9.2m (2017: £64.6m), with interest payments of £30.3m (2017: £21.4m), including accelerated interest payments of £20.4m from the debt pay-down. Partially offsetting these was a cash inflow of £5.2m (2017: £17.0m outflow) from taxation, with the Group benefiting from a tax refund relating to a prior period.

Below free cash flow there was a net inflow of £324.3m primarily relating to the divestment of the AvComm and Wireless test and measurement businesses, and another smaller business. There was also a net debt increase of £14.7m (2017: £nil) relating to an aircraft finance lease signed in the period. In 2017, the Group received net rights issue proceeds and the allocation of treasury shares of £497.0m.

At 30 June 2018 the Group's net debt had decreased to £53.6m (31 December 2017: £383.5m) with the net debt/EBITDA gearing ratio 0.2x at 30 June 2018 (31 December 2017: 1.3x).

SECTOR REVIEW

As previously announced, the comparative period underlying operating profit numbers in the following segmental review have been restated to eliminate the profit previously reported in the 'Head Office and Other' line. A five year segmental disclosure of underlying operating profit incorporating this change was published in December 2017 at www.cobhaminvestors.com/reports-and-presentations/2017.

Comparative numbers have also been restated for the impact of IFRS 15, the new revenue recognition standard, which was adopted from 1 January 2018.

Cobham Communications and Connectivity

Provides critical and innovative technology to enable resilient connection for complex, harsh, hazardous and regulated environments, in air and space, on land and at sea, and under the ground. Everywhere, at any time and in the most demanding environments, to be relied on to keep safe connection around the world.

£m	H1 2017	FX Translation	Divestments	Organic[2]	**H1 2018**
Order intake	354.5	(3.9)	(51.7)	37.3	**336.2**
Revenue	345.8	(4.4)	(56.8)	(4.7)	**279.9**
Operating profit*	25.7	0.2	(3.0)	-	**22.9**
Operating margin*	7.4%				**8.2%**
Order book	263.4				**284.1**

[2]See page 3 for definition of organic revenue
**Underlying measures are defined in note 1 on page 3*

Following the divestment of the AvComm and Wireless test and measurement businesses in March 2018, the Sector's four remaining business units have been reorganised into five units, optimising customer focus and investment. Within this, the SATCOM business is now focused on maritime and land markets, with aerospace SATCOM now part of the Aerospace Communications business unit. An Electrical and Electronic Equipment business unit has been established, comprising the microwave, space and slip-ring activities formerly part of Aerospace Communications. The Antennas business unit has been renamed Aerospace Connectivity.

Organic revenue was 2% lower, principally impacted by the maritime and land SATCOM business, notwithstanding higher revenue in Aerospace Connectivity. There was revenue growth from increased shipments of counter-IED equipment and airborne search and rescue products into international markets. Shipments of maritime SATCOM products into commercial maritime markets increased, including from VHF radios due to a new fire-fighting mandate. However, in SATCOM there was some larger international defence/security deliveries in the prior period, as well as delivery of a commercial ground station, which did not repeat in the current period.

After the impact of foreign exchange and divestments underlying operating profit was unchanged. This included £4.3m of increased inventory and receivables provisions and a net increase in PV investment, most notably on the Aviator 'S' SATCOM product. These additional costs were offset by an improved product mix, in part from counter-IED products and the Sector's new, next generation RT-7000 aircraft radio.

There was good order intake across the Sector, including an order from Boeing for the Sector's FliteLine airborne radio for retrofit on more than 450 USAF T-38C trainer aircraft to 2020. In addition, there were two significant orders received for airborne SATCOM products, including an order from Shenzhen Airlines to retrofit its fleet of 77 A320 aircraft, as well as an order to retrofit the US Government's fleet of C-130J aircraft over five years, as part of the Block 8.1 upgrade programme. The maritime and land SATCOM business also had good order intake, including multi-year orders, as a result of an increased focus on enhancing its order cover.

In July, the SATCOM business secured its first contract for six metre ground antennas for Low Earth Orbit (LEO) tracking stations – a new market which is expected to provide growth opportunities. The space microwave business is also well positioned to benefit from orders relating to the new LEO satellite mega-constellations.

Cobham Mission Systems

Providing proven and trusted solutions in air-to-air refuelling, life support and weapons carriage. A leading global supplier of critical control solutions, helping customers increase the safety and mission capabilities of personnel and equipment in extreme environments.

£m	H1 2017**	FX Translation	Organic[2]	H1 2018
Order intake	219.6	(15.0)	32.5	**237.1**
Revenue	212.4	(13.9)	10.5	**209.0**
Operating profit*	26.9	(1.9)	3.8	**28.8**
Operating margin*	12.7%			**13.8%**
Order book	663.0			**762.0**

[2]See page 3 for definition of organic revenue
**Underlying measures are defined in note 1 on page 3*
*** Restated for impact of IFRS 15*

The 5% increase in organic revenue reflected growth in air-to-air refuelling production revenue including for the Lockheed Martin C-130, and Airbus A330MRTT aerial refuelling shipments for Korea and France. Revenue from fuel tank inerting systems, including for Boeing 787 Air Separation Modules also increased, with a fourth major US airline customer secured in the period for the Sector's Boeing 737 MAX air separation modules.

The Group has recently announced an update on the KC-46 aerial refuelling programme and details of this have been included in the Chief Executive Officer's Review section of this announcement.

Underlying operating profit increased by £3.8m after the impact of exchange rates. This result was driven by higher production volumes, particularly in the Davenport business unit. The increased contribution from other aerial refuelling programmes was offset by additional costs to improve quality and increase supply chain resources, particularly in Wimborne.

The Sector has won contracts to develop its GGU-25 oxygen concentrator for an upgrade of the US Navy's (USN) T-45 aircraft as well as an expedited upgrade on the USN fleet of T-6 aircraft. An initial order has been received for 106 T-6 aircraft, with follow-on orders expected for another 700 aircraft. Reducing pilot physiological events (PE's) continues to be a high priority for the US DoD, with proposed modifications to its 2019 budget to accelerate the development of technologies to identify or mitigate PE's. This includes developing an autonomous pilot system, the world's first sensor driven breathing regulator to adjust pilot oxygen based on changing needs and aircraft conditions.

The Sector also received its first orders for its Compressed Natural Gas tanks for commercial vehicles, following product qualification. In addition, contracts were received from Lockheed Martin for the deep space Orion exploration craft, to supply life support and propulsion components for its first manned flight.

Cobham Advanced Electronic Solutions

Provides critical solutions for communication on land, at sea, and in the air and space, by moving data through off-the-shelf and customised products including radio frequency, microwave, and high reliability microelectronics, antenna subsystems and motion control solutions. Supplies defence, wireless/mobile and fixed broadband, X-ray, imaging, medical, industrial, and point of sale markets.

As set out on pages 38 and 51 of the 2017 Annual Report and Accounts, the Sector operates under a Special Security Agreement, operating under a Sector Board which is critical to its governance and performance.

£m	H1 2017**	FX Translation	Organic[2]	**H1 2018**
Order intake	257.2	(21.7)	144.1	**379.6**
Revenue	283.4	(23.5)	19.5	**279.4**
Operating profit*	28.2	(2.0)	3.7	**29.9**
Operating margin*	10.0%			**10.7%**
Order book	520.3			**606.4**

[2]See page 3 for definition of organic revenue
**Underlying measures are defined in note 1 on page 3*
*** Restated for impact of IFRS 15*

The Sector has announced plans to re-organise its operations around six main technology areas, which will be communication, navigation and identification; electronic warfare; radar; medical, industrial and security; guided munitions and space. This will enable the Sector to facilitate cross-Sector collaboration, deliver efficiencies and clearly communicate its capabilities to its chosen markets.

Organic revenue increased by 8% across a number of product areas, including growth in US and international radar and missile programmes. This included increasing volumes relating to the F-35 Joint Strike Fighter, with the Sector having significant electronic warfare and radar subsystem content on the aircraft. In addition, there was revenue growth from circuit card assemblies, including for commercial customers.

Underlying operating profit increased by £3.7m after the impact of exchange rates, with the Sector reassessing certain legal, property and inventory provisions in the period, resulting in a £4.2m net credit. The profit impact from higher production volumes was offset by an increase in PV investment, the increased cost of deliveries on certain programmes and continued investment to strengthen the facilities and supporting functions of the business.

The increase in the Sector's order intake was driven by receipt of a number of multi-year pre-production and production awards, including from key customers for maritime and airborne electronic warfare and missile guidance systems. Following some initial successes, a waveguide production contract was awarded by a major LEO satellite provider that will make the Sector a leading provider in this market.

During the period, the San Diego facility, which is currently increasing its production volumes across a number of programmes, continued to receive significant investment to transform its production performance, on-time delivery and quality management.

Cobham Aviation Services

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

£m	H1 2017	FX Translation	Organic[2]	H1 2018
Order intake	86.0	(2.3)	(8.9)	**74.8**
Revenue	187.8	(7.1)	(23.7)	**157.0**
Operating profit*	13.3	(0.4)	(4.1)	**8.8**
Operating margin*	7.1%			**5.6%**
Order book	1,276.1			**1,004.4**

[2]See page 3 for definition of organic revenue
**Underlying measures are defined in note 1 on page 3*

As previously announced the Sector was restructured into two regionally based businesses, one focused on UK & EMEA and one on Australia. This change enables better customer focus from a more clearly defined business identity, while allowing continued collaboration. It has also removed a layer of management to deliver cost savings and more efficient decision-making and reporting lines.

Organic revenue decreased by 13%. This was driven primarily by the completion of the UK Defence Helicopter Flying School (DHFS) contract at the end of March 2018, as well as the completion of contracts in Qatar and Trinidad and Tobago in 2017. In Australia organic revenue was also lower, primarily due to reduced flying activity in the natural resources sector, including the Chevron contract, which moved to a lower activity phase during 2017. However, this was partially offset by new Australian fly-in, fly-out contracts, including operations for Oz Minerals which commenced in the second half of 2017.

Underlying operating profit was £4.1m lower after the impact of exchange rates. This reflected the lower revenue, in particular relating to the DHFS contract and other completed rotary wing contracts. Included within underlying operating profit was a £4.4m credit relating to lease servicing and make good provisions no longer required but largely offsetting this was a £3.4m charge relating to the Sector's regional restructuring.

A new three year contract was signed in the period to provide fly-in, fly-out operations for the Independence Group in Western Australia, as well as a two year contract with Dacian Gold. The Search and Rescue capabilities provided to the Australian Maritime Safety Authority (AMSA) are now fully operational and the AMSA Bombardier CL-604 aircraft have now been deployed on missions across Australia and internationally to the Cocos Islands, New Guinea and the South West Pacific.

In preparation for the UK Ministry of Defence's (MoD) Air Support to Defence Operational Training (ASDOT) programme, which will replace the Sector's existing MoD O2O operational readiness training contract at the end of 2019, a teaming agreement was announced with 3SDL. This combines 3SDL's close air support and intelligence, surveillance and reconnaissance capabilities, with Cobham's advanced electronic warfare effects and supplements the previously announced agreement with Draken International. Together, Cobham and its ASDOT team can provide the full capability suite for the new training programme.

OTHER FINANCIAL ITEMS

Summary of Underlying Results

To assist with the understanding of earnings trends, the Group has included within its interim financial statements non-GAAP alternative performance measures including underlying operating profit and underlying profit.

The non-GAAP measures used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses underlying measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 3 on page 32. They form the basis of internal management accounts and are used for decision making including capital allocation, and a subset also forms the basis of internal incentive arrangements. By using underlying measures in segmental reporting, this further ensures readers of the financial statements can recognise how incentive performance is targeted. Underlying measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparative trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

In 2016 certain exceptional items were adjusted for and excluded from underlying measures due to their unusual size and incidence, arising out of the January 2017 Balance Sheet review and including revisions to the carrying value of assets, additional contract loss provisions and legal and other provisions. Where relevant, updates to, and the final outcome of, these items are presented consistently with this treatment as exceptional charges or credits as appropriate.

A reconciliation of statutory to underlying profit numbers is set out on page 20.

A summary of the Group's underlying results is set out below:

£m	**H1 2018**	H1 2017*
Revenue	**924.5**	1,028.2
Operating profit	**90.4**	94.1
Operating margin	***9.8%***	*9.2%*
Net finance expense	**(29.5)**	(20.4)
Profit before tax	**60.9**	73.7
Tax	**(14.0)**	(17.7)
Tax rate	***23.0%***	*24.0%*
Profit after tax	**46.9**	56.0
Weighted average number of shares (millions)	***2,379.1***	*2,084.2*
EPS (pence)	**2.0**	2.7

**Restated to reflect impact of IFRS 15*

Currency Translation Exchange Rates

The following are the average and closing rates for the four foreign currencies that have most impact on translation into pounds sterling of the Group's Income Statement and Balance Sheet:

	H1 2018	H1 2017
Income statement – average rate		
US$/£	**1.37**	1.26
AUS$/£	**1.78**	1.67
€/£	**1.14**	1.16
DKK/£	**8.46**	8.64

	H1 2018	FY 2017
Balance sheet – period end rate		
US$/£	**1.32**	1.35
AUS$/£	**1.79**	1.73
€/£	**1.13**	1.13
DKK/£	**8.43**	8.39

Statutory Operating Profit

The Group's statutory operating profit was £208.8m (2017: £38.9m). In addition to the underlying operating profit result, statutory profit includes items which have been accounted for as specific adjusting items, consistent with prior years.

These items are as follows:

- Amortisation of intangible assets arising on business combinations of £45.9m (2017: £72.4m);

Goodwill and other intangible assets arising on business combinations are recognised as a result of the purchase price allocation on acquisition of subsidiaries.

- Adjustments to legal and other provisions provided at 31 December 2016 was a credit of £1.7m (2017: £nil);

The credit relates to legal, environmental, warranty and other regulatory matters that were provided for in 2016 and which have been resolved within their original cost estimates.

- A profit on divestments of £216.3m (2017: £nil);

Further details of the profit on divestments are given below.

In addition, as expected the Group incurred £nil (2017: £2.4m) on prior period restructuring programmes, which were accounted for as incremental to normal operations.

This was partially offset by:

- Adverse movements in non-hedge accounted derivative financial instruments of £13.7m (2017: £18.2m favourable);

The impact of derivative financial instruments excluded from underlying results includes changes in the marking to market of non-hedge accounted derivative financial instruments. These amounts relate to foreign currency exchange contracts and would not have impacted the results had the Group chosen to comply with IAS 39 hedge accounting requirements.

- An increase in estimates of fixed price contract profitability of £40.0m (2017: £nil);

This charge relates to an increase in the estimates of the costs to complete development of the KC-46 tanker programme. While KC-46 is part of our ongoing trading, we have shown this charge as exceptional as it represents a change in the estimate taken at 31 December 2016. Consistent treatment aids traceability of amounts relating to the same programme. Treating it separately from the remaining business activities also provides transparency on the operational and financial progress we are making elsewhere. Further details on the KC-46 charge are included within the Chief Executive Officer's Review.

In addition, there was £nil (2017: £1.4m credit) relating to the adjustments to revisions of the carrying values of other assets provided at 31 December 2016. This related to a provision against receivables which was considered doubtful at 31 December 2016, but which was subsequently recovered.

Narrative on the Group's underlying operating profit performance is set out in the Sector reviews.

Divestments

As previously announced, Cobham completed the divestment of its AvComm and Wireless test and measurement businesses on 15 March 2018 to Viavi Solutions Inc. for an all cash consideration of US$455m (subject to certain post-completion adjustments and expenses). The AvComm business is based in Wichita, Kansas and provides synthetic test, monitoring and control solutions for radio and avionics test, with the Stevenage, UK based Wireless business providing advanced validation tools for mobile and IP networks. The businesses were part of the Communications and Connectivity Sector.

In May 2018, the 'Opera' software business, part of the Communications and Connectivity Sector, was also divested for £7.8m.

The effect of these divestments is to bring further focus to Cobham's portfolio on its defence, aerospace and space markets.

Profit Before Tax

The Group's statutory profit before tax was £179.3m (2017: £18.5m). The Group's underlying profit before tax was £60.9m (2017: £73.7m).

Tax

The Group's overall tax charge was £13.9m (2017: £0.7m credit) reflecting the Group's profit mix after non-underlying items, including the impact of the tax effect of the divestments. As expected, the Group's underlying effective tax rate was 23% (2017: 24%) from an underlying tax charge of £14.0m (2017: £17.7m).

The Group previously announced it was reviewing its internal financing structures and is in the process of resolving certain tax issues from prior years. These issues are set out in more detail in note 6 on page 38 of this Announcement.

Earnings per Share (EPS)

Basic EPS was 6.9p (2017: 0.9p). Basic EPS was favourably impacted by the specific adjusting items set out in the paragraphs on statutory operating profit above, most notably the profit on divestments completed and lower amortisation of intangible assets arising on business combinations. This was partially offset by adverse movements in non-hedge accounted derivative financial instruments and an increase in estimates of fixed price contract profitability.

Underlying EPS was lower at 2.0p (2017: 2.7p), largely reflecting the adverse impact of the accelerated interest costs, which reduced EPS by 22% in the half, and the higher average share count, which impacted by a further 11%.

The Group's average share count was 2,379.1m (2017: 2,084.2m). The share count at 30 June 2018, excluding shares held in treasury, was 2,391.0m (31 December 2017: 2,391.0m).

IFRS 15 (Revenue Recognition) and IFRS 9 (Financial Instruments)

The Group has adopted the new revenue recognition standard, IFRS 15, with effect from 1 January 2018. The standard impacts the timing of revenue recognition on some Group development programmes in the Mission Systems Sector and on some US Government product based contracts in the Advanced Electronic Solutions Sector. The Group has restated its H1 2017 comparative numbers to reflect the impact of IFRS 15, which is to increase Group revenue by £24.9m and profit after tax by £2.9m. There is no impact on the Group's cash generation or net debt. There has also been an increase in net assets of £4.1m as at 31 December 2017, with larger reclassifications between amounts recoverable on contracts and receivables and payables.

In addition, the Group has also adopted the new financial instruments standard IFRS 9, on 1 January 2018. At the date of application, the only impact has been to increase the Group's minority shareholding investments by £39.0m, as these are now required to be held at fair value, rather than cost. The Group's reserves have also increased by the same amount. There are no other material changes arising from the adoption of IFRS 9.

Further details on the application of IFRS 15 and IFRS 9 and their impact on Cobham's restated comparative income statement and balance sheet have been included in note 2 to this Announcement on page 29.

Retirement Obligations

Cobham operates a number of defined benefit pension schemes, with the largest being the UK Cobham Pension Plan (CPP). At 30 June 2018 the Group's estimated deficit for accounting purposes, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £49.3m before deferred tax (31 December 2017: £63.2m).

Key drivers of the reduction in the estimated deficit were:

- Net employer contributions of £9.0m;
- Actuarial gains on plan liabilities of £28.5m due to an increase in the discount rate driven by corporate bond yields;
- The actuarial gains were partially hedged by liability driven investments which decreased in the period, and contributed to actuarial investment losses of £21.6m.

A triennial valuation of the CPP defined benefit obligations as at 1 April 2018 is now underway.

Cash Flow

Operating cash flow was £34.3m (2017: £108.3m), with operating cash conversion of 38% (2017: 115%). This was after the net cash utilisation of the 2016 exceptional charges of £43.8m (2017: £25.0m), which is largely included within the overall decrease in provisions of £46.3m (2017: £16.0m) disclosed in the cash flow statement. Cash flow in the period was also impacted by an expected increase in working capital, which was £21.3m (2017: £21.7m decrease). Partially offsetting these items were increased proceeds on the disposal of property, plant and equipment of £6.1m (2017: £0.8m).

Free cash flow was £9.2m (2017: £64.6m), with interest payments of £30.3m (2017: £21.4m), including accelerated interest payments of £20.4m from the debt pay-down. Partially offsetting these was a cash inflow of £5.2m (2017: £17.0m outflow) from taxation, with the Group benefiting from a tax refund relating to a prior period. In addition, there was £nil (2017: £5.3m) paid relating to prior period restructuring programmes.

Below free cash flow there was a net inflow of £324.3m primarily relating to the divestment of the AvComm and Wireless test and measurement businesses, and a smaller business. There was also a net debt increase of £14.7m (2017: £nil) relating to an aircraft finance lease signed in the period. In 2017, the Group received net rights issue proceeds and the allocation of treasury shares of £497.0m.

The Group continues to anticipate that it will generate limited free cash flow in full year 2018, after the impact of the cash utilisation of its onerous contract and other provisions.

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

£m	H1 2018	H1 2017[1]
Underlying operating profit	**90.4**	94.1
Less: share of post-tax results of joint ventures	**(0.1)**	-
Underlying operating profit (excluding joint ventures)	**90.3**	94.1
Depreciation and amortisation	**37.9**	41.4
Share based payments	**3.2**	2.3
Decrease in provisions	**(46.3)**	(16.0)
Pension contributions in excess of pension charges	**(8.5)**	(8.6)
(Increase)/decrease in working capital	**(21.3)**	21.7
Gross capital expenditure	**(27.1)**	(27.4)
Proceeds on disposal of property, plant and equipment	**6.1**	0.8
Operating cash flow	**34.3**	108.3
Operating cash/operating profit (excluding joint ventures)	***38%***	*115%*
Net interest paid	**(30.3)**	(21.4)
Net taxation received/(paid)	**5.2**	(17.0)
Amounts related to prior periods' restructuring programmes	**-**	(5.3)
Free cash flow	**9.2**	64.6
Net divestments	**324.3**	(0.6)
Net rights issue proceeds and treasury shares allocation	**-**	497.0
New finance lease	**(14.7)**	-
Exchange movements	**11.1**	6.4
Decrease in net debt	**329.9**	567.4
Opening net debt	**(383.5)**	(1,028.2)
Closing net debt	**(53.6)**	(460.8)

[1] *Restated for the impact of IFRS 15*

Net Debt and Gearing

At 30 June 2018 the Group's net debt had decreased to £53.6m (31 December 2017: £383.5m), including favourable exchange rate movements of £11.1m (2017: £6.4m). In the current period this was primarily driven by the translation of Cobham's US dollar denominated debt. At 30 June 2018 net debt comprised gross debt of £387.3m (31 December 2017: £835.4m) and cash of £333.7m (31 December 2017: £451.9m).

Consistent with the Group's borrowing agreements, the net debt/EBITDA gearing ratio was 0.2x at 30 June 2018 (31 December 2017: 1.3x). Net interest cover was lower at 5.5x (31 December 2017: 6.8x), driven by the accelerated interest costs in the period.

Reconciliation of Underlying Measures

Details of the use of underlying measures are included on page 14 of this Announcement.

£m	H1 2018	H1 2017[1]
Operating profit	**208.8**	38.9
Adjusted to exclude:		
Amortisation of intangible assets arising on business combinations	**45.9**	72.4
Derivative financial instruments	**13.7**	(18.2)
Carrying values of other assets provided at 31 Dec. 2016	**-**	(1.4)
Adjustments to legal and other provisions provided at 31 Dec. 2016	**(1.7)**	-
Estimates of fixed price contract profitability (see note 3)	**40.0**	-
Amounts relating to prior periods' restructuring programmes	**-**	2.4
Profit on divestments	**(216.3)**	-
Total operating reconciling items	**(118.4)**	55.2
Underlying operating profit	**90.4**	94.1
Underlying profit before tax is calculated as follows:		
Profit before taxation	**179.3**	18.5
Total operating reconciling items as above	**(118.4)**	55.2
Underlying profit before taxation	**60.9**	73.7
Taxation charge on underlying profit	**(14.0)**	(17.7)
Underlying profit after taxation	**46.9**	56.0
Underlying EPS (pence)	**2.0**	2.7

[1] Restated for the impact of IFRS 15

Cautionary Statements

This announcement contains 'forward-looking statements' with respect to the financial condition, results of operations and business of Cobham and to certain of Cobham's plans and objectives with respect to these items.

Forward-looking statements are sometimes but not always identified by the use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal', or 'estimates' (or the negative thereof). By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or will occur in the future.

There are various factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in economies, political situations and markets in which the group operates; changes in government priorities due to programme reviews or revisions to strategic objectives; changes in regulatory or competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; changes to, delays in or commercial discussions relating to programmes in which the Group is involved; the completion of acquisitions and divestitures and changes in commodity prices, inflation or exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Cobham or any other member of the Group or persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. Neither Cobham nor any other person intends to update these forward-looking statements.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that underlying operating profit for the current or future financial years would necessarily be above a minimum level, or match or exceed the historical published operating profits or set a minimum level of operating profit.

Consolidated Income Statement (unaudited)

For the half year ended 30 June 2018

£m	Note	Half year to 30.6.18	Half year to 30.6.17 restated
Revenue	4	**924.5**	1,028.2
Cost of sales		**(714.6)**	(739.2)
Gross profit		**209.9**	289.0
Operating costs		**(217.4)**	(250.1)
Profit on divestments	15	**216.3**	-
Operating profit		**208.8**	38.9
Finance income	5	**5.5**	1.8
Finance costs	5	**(35.0)**	(22.2)
Profit before taxation		**179.3**	18.5
Taxation	6	**(13.9)**	0.7
Profit after taxation for the period		**165.4**	19.2
Attributable to:			
Owners of the parent		**165.3**	19.2
Non-controlling interests		**0.1**	-
		165.4	19.2
Earnings per ordinary share	3		
Basic		**6.9p**	0.9p
Diluted		**6.9p**	0.9p

Further details of the restatement of the June 2017 Income Statement, due to the implementation of IFRS 15 Revenue from Contracts with Customers, can be found in note 2.

Consolidated Statement of Comprehensive Income (unaudited)

For the half year ended 30 June 2018

£m	Note	**Half year to 30.6.18**	Half year to 30.6.17 restated
Profit after taxation for the period		**165.4**	19.2
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of fair value of other financial assets	11	**(5.9)**	-
Remeasurement of defined benefit retirement benefit obligations	13	**6.9**	14.5
Tax effects		**(1.3)**	(2.8)
		(0.3)	11.7
Items that may subsequently be reclassified to profit or loss			
Net translation differences on investments in overseas subsidiaries		**27.5**	(23.3)
Reclassification of cash flow hedge fair values		**-**	0.3
Hedge accounted derivative financial instruments		**(15.8)**	(0.9)
Tax effects		**(0.2)**	0.1
		11.5	(23.8)
Other comprehensive income/(expense) for the period		**11.2**	(12.1)
Total comprehensive income for the period		**176.6**	7.1
Attributable to:			
Owners of the parent		**176.5**	7.0
Non-controlling interests		**0.1**	0.1
		176.6	7.1

Consolidated Balance Sheet (unaudited)

As at 30 June 2018

£m	Note	As at 30.6.18	As at 31.12.17 restated
Assets			
Non-current assets			
Intangible assets	8	**856.1**	893.8
Property, plant and equipment	9	**375.8**	380.9
Investment properties		**2.3**	2.4
Investments in joint ventures and associates		**3.6**	3.6
Contract assets	10	**69.0**	64.3
Trade and other receivables		**25.2**	28.5
Other financial assets	11	**39.3**	6.1
Deferred tax		**47.9**	58.8
Derivative financial instruments		**22.0**	25.0
		1,441.2	1,463.4
Current assets			
Inventories		**275.3**	254.2
Contract assets	10	**141.7**	154.8
Trade and other receivables		**311.7**	293.8
Current tax receivables		**2.8**	7.2
Derivative financial instruments		**3.3**	10.4
Cash and cash equivalents		**333.7**	451.9
Assets classified as held for sale		**-**	171.7
		1,068.5	1,344.0
Liabilities			
Current liabilities			
Borrowings		**(12.5)**	(0.1)
Contract liabilities	10	**(144.5)**	(134.1)
Trade and other payables		**(338.3)**	(347.8)
Provisions	12	**(86.0)**	(121.7)
Current tax liabilities		**(142.8)**	(135.8)
Derivative financial instruments		**(10.7)**	(12.2)
Liabilities associated with assets classified as held for sale		**-**	(49.1)
		(734.8)	(800.8)
Non-current liabilities			
Borrowings		**(374.8)**	(835.3)
Trade and other payables		**(11.8)**	(11.6)
Provisions	12	**(60.1)**	(30.6)
Deferred tax		**(1.7)**	(6.3)
Derivative financial instruments		**(26.1)**	(27.2)
Retirement benefit obligations	13	**(49.3)**	(63.2)
		(523.8)	(974.2)
Net assets		**1,251.1**	1,032.4
Equity			
Share capital		**61.7**	61.7
Share premium		**1,257.9**	1,257.9
Other reserves		**3.1**	(9.6)
Retained earnings		**(73.0)**	(278.9)
Total equity attributable to owners of the parent		**1,249.7**	1,031.1
Non-controlling interests in equity		**1.4**	1.3
Total equity		**1,251.1**	1,032.4

Further details of the restatement of the December 2017 Balance Sheet, due to the implementation of IFRS 15 Revenue from Contracts with Customers, can be found in note 2.

Consolidated Statement of Changes in Equity (unaudited)

For the half year ended 30 June 2018

£m	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 31 December 2017 (as originally stated)	**61.7**	**1,257.9**	**(8.6)**	**(284.0)**	**1,027.0**	**1.3**	**1,028.3**
Change in accounting policy - adoption of IFRS 15 (see note 2)	**-**	**-**	**(1.0)**	**5.1**	**4.1**	**-**	**4.1**
Total equity at 31 December 2017 (restated)	**61.7**	**1,257.9**	**(9.6)**	**(278.9)**	**1,031.1**	**1.3**	**1,032.4**
Change in accounting policy - adoption of IFRS 9 (see note 2)	**-**	**-**	**-**	**39.0**	**39.0**	**-**	**39.0**
Total equity at 1 January 2018 (restated)	**61.7**	**1,257.9**	**(9.6)**	**(239.9)**	**1,070.1**	**1.3**	**1,071.4**
Profit for the period	**-**	**-**	**-**	**165.3**	**165.3**	**0.1**	**165.4**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**(0.3)**	**(0.3)**	**-**	**(0.3)**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**11.5**	**-**	**11.5**	**-**	**11.5**
Share based payments	**-**	**-**	**3.2**	**-**	**3.2**	**-**	**3.2**
Transfer of other reserves to retained earnings	**-**	**-**	**(1.9)**	**1.9**	**-**	**-**	**-**
Tax effects	**-**	**-**	**(0.1)**	**-**	**(0.1)**	**-**	**(0.1)**
Total equity at 30 June 2018	**61.7**	**1,257.9**	**3.1**	**(73.0)**	**1,249.7**	**1.4**	**1,251.1**

For the half year ended 30 June 2017

£m	Share capital	Share premium	Other reserves	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2017 (as originally stated)	44.6	778.3	37.9	(372.0)	488.8	1.1	489.9
Change in accounting policy - adoption of IFRS 15 (see note 2)	-	-	-	(0.2)	(0.2)	-	(0.2)
Total equity at 1 January 2017 (restated)	44.6	778.3	37.9	(372.2)	488.6	1.1	489.7
Profit for the period (restated)	-	-	-	19.2	19.2	-	19.2
Items that will not be reclassified subsequently to profit or loss	-	-	-	11.7	11.7	-	11.7
Items that may subsequently be reclassified to profit or loss	-	-	(24.0)	0.1	(23.9)	0.1	(23.8)
Issue of shares, net of costs	17.1	479.6	-	-	496.7	-	496.7
Proceeds on allocation of treasury shares	-	-	-	0.3	0.3	-	0.3
Share based payments	-	-	2.3	-	2.3	-	2.3
Transfer of other reserves to retained earnings	-	-	(0.6)	0.6	-	-	-
Tax effects	-	-	(0.3)	-	(0.3)	-	(0.3)
Total equity at 30 June 2017 (restated)	61.7	1,257.9	15.3	(340.3)	994.6	1.2	995.8

Consolidated Cash Flow Statement (unaudited)

For the half year ended 30 June 2018

£m	Note	**Half year to 30.6.18**	Half year to 30.6.17
Cash generated from operations	7	**55.3**	129.5
Tax received/(paid)		**5.2**	(17.0)
Interest paid		**(34.8)**	(22.7)
Interest received		**4.5**	1.3
Net cash from operating activities		**30.2**	91.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(20.6)**	(21.7)
Purchase of intangible assets		**(6.5)**	(5.7)
Proceeds on disposal of property, plant and equipment		**6.1**	0.8
Proceeds/(costs) of business divestments		**324.3**	(0.5)
Net cash generated from/(used in) investing activities		**303.3**	(27.1)
Cash flows from financing activities			
Issue of share capital		**-**	496.7
Proceeds on allocation of treasury shares		**-**	0.3
Net repayment of borrowings		**(469.9)**	(281.5)
Net cash (used in)/from financing activities		**(469.9)**	215.5
Net (decrease)/increase in cash and cash equivalents		**(136.4)**	279.5
Foreign exchange adjustments		**7.6**	(33.2)
Cash and cash equivalents at start of period		**451.9**	236.2
Cash and cash equivalents at end of period		**323.1**	482.5

Reconciliation of cash and cash equivalents and net debt

£m	**As at 30.6.18**	As at 30.6.17
Cash and cash equivalents	**333.7**	482.5
Borrowings - current liabilities	**(12.5)**	(57.9)
Borrowings - non-current liabilities	**(374.8)**	(885.4)
Net debt	**(53.6)**	(460.8)

Reconciliation of movements in net debt

£m	**Half year to 30.6.18**	Half year to 30.6.17
Net debt at start of period	**(383.5)**	(1,028.2)
(Decrease)/increase in cash and cash equivalents per Cash Flow Statement	**(136.4)**	279.5
Proceeds of finance leases	**(14.7)**	-
Repayment of borrowings	**470.2**	281.5
Borrowings of undertakings sold	**(0.3)**	-
Exchange movements	**11.1**	6.4
Net debt at end of period	**(53.6)**	(460.8)

Notes to the Interim Financial Statements

For the half year ended 30 June 2018

1. Basis of preparation

This unaudited condensed interim financial information for the half year ended 30 June 2018 has been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority, and with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU) and applicable laws and regulations. It comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes (the Interim Financial Statements). This information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the EU. These Interim Financial Statements have been reviewed, not audited.

The Directors believe, after making enquiries they consider to be appropriate, that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Group's forecast operating cash flows and related assumptions, undrawn debt facilities, debt maturity review, analysis of debt covenants and in accordance with the Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council.

These Interim Financial Statements and the comparative figures for the year ended 31 December 2017 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Full accounts for that year have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Interim Results were approved by the Board of Directors and approved for issue on 3 August 2018. The report is being sent to shareholders on request and will be available to members of the public at Cobham plc's registered office at Brook Road, Wimborne, Dorset, BH21 2BJ, UK and on the Company's website, www.cobham.com.

Accounting policies

The accounting policies applied are consistent with those published in the financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards as set out below. These accounting policies will be applied for the year ended 31 December 2018.

The Group adopted IFRS 15, Revenue from Contracts with Customers, from 1 January 2018. As detailed further in note 2, comparatives have been restated using the fully retrospective approach. Cash flows have not been impacted by the Standard.

The Group has also adopted IFRS 9, Financial Instruments from 1 January 2018 and further details are provided in note 2.

There were no other changes to previously published accounting policies.

In the interim financial statements, taxes on income are accrued using the best estimate of the weighted average tax rate that is expected to be applicable for the full financial year.

IFRS 16, Leases, effective from 1 January 2019, subject to EU endorsement, requires all leases to be recognised on the Balance Sheet. Broadly the Group will recognise leases currently treated as operating leases as a lease liability and a right-to-use asset, after adjusting for extension periods that are reasonably certain to be taken and discounting using the rate implicit in the lease or the incremental cost of borrowing. Management are currently assessing the impact of adopting this standard and considering the different transition options.

Definitions

Underlying measures

Definitions and a description of the use of non-GAAP alternative performance measures can be found in note 3.

Operating segments

The chief operating decision making body for the Group has been identified as the Board. It reviews the Group's internal reporting in order to assess performance and allocate resources. Details of the composition and purpose of the Board can be found on pages 44 to 53 of the 2017 Annual Report and Accounts. The Group reports four operating segments whose revenue and results are reported to the Board as disclosed in note 4. All operating segments meet the definition of reportable segments as defined in IFRS 8. Costs of the corporate head office and Group functions are allocated across the operating segments.

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

2. Impact of new accounting standards

As previously identified, the Group has adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, with effect from 1 January 2018.

IFRS 15, Revenue from Contracts with Customers

Under IFRS 15 revenue is recognised over time for contracts where there is no alternate use for the product and there is a right to payment at all times throughout production. A number of long-term development programmes, notably within the Mission Systems Sector, meet these criteria. Revenue is also recognised over time for contracts where control transfers as the product is being manufactured, which occurs on some contracts directly with government bodies most notably in the Advanced Electronic Solutions Sector. On both types of contract, where revenue is now recognised over time, the amounts previously included within inventories as work in progress or finished goods are now recognised, including margin, as a contract asset described as unbilled receivables.

Under IAS 18 it was appropriate, in certain situations, to combine related contracts. Under IFRS 15 the circumstances where this is allowed are more clearly defined and therefore some customer delivery obligations have been treated as separate obligations which impacts the timing of revenue and profit recognition.

On transition to IFRS 15, changes to revenue impact the amounts recognised in contract assets. Also, pre-existing unbilled receivables have been reclassified as contract assets. The recognition of costs of sales related to the changes to revenue recognition result in the recognition of a contract liability. Advance payments, previously recognised within trade and other payables are now recognised as a contract liability.

IFRS 15 has been applied retrospectively and therefore comparative information presented in these financial statements has been restated as disclosed in the tables below. A summary of the impact of adopting IFRS 15, as described above, is as follows:

£m	
Total equity at 31 December 2017 (as originally stated)	1,028.3
Contracts where revenue is recognised over time rather than at a point in time	18.4
Contracts where performance obligations are now accounted for separately	(11.4)
Deferred tax impact	(2.9)
Adjustments to retained earnings from adoption of IFRS 15	4.1
Total equity at 31 December 2017 (restated)	1,032.4

The full impact on the Balance Sheet at 31 December 2017 and on both the full year and half year Income Statement for 2017 are as below:

Impact on Balance Sheet at 31 December 2017

£m	As originally stated	IFRS 15 adjustments	Restated
Assets			
Inventories	389.4	(135.2)	254.2
Contract assets	-	219.1	219.1
Trade and other receivables	393.5	(71.2)	322.3
Other assets	2,010.5	1.3	2,011.8
	2,793.4	14.0	2,807.4
Liabilities			
Contract liabilities	-	(134.1)	(134.1)
Trade and other payables	(484.3)	124.9	(359.4)
Provisions	(155.8)	3.5	(152.3)
Deferred tax	(2.1)	(4.2)	(6.3)
Other liabilities	(1,122.9)	-	(1,122.9)
	(1,765.1)	(9.9)	(1,775.0)
Net assets	1,028.3	4.1	1,032.4

Impact on Income Statements

£m	Half year to 30.6.17 As originally stated	IFRS 15 adjustments	Restated	Year to 31.12.17 As originally stated	IFRS 15 adjustments	Restated
Revenue	1,003.3	24.9	1,028.2	2,052.5	39.1	2,091.6
Cost of sales	(718.3)	(20.9)	(739.2)	(1,457.9)	(36.9)	(1,494.8)
Gross profit	285.0	4.0	289.0	594.6	2.2	596.8
Operating costs	(250.3)	0.2	(250.1)	(491.6)	0.6	(491.0)
Profit on divestments	-	-	-	1.1		1.1
Operating profit	34.7	4.2	38.9	104.1	2.8	106.9
Finance income	1.8	-	1.8	6.1	-	6.1
Finance costs	(22.2)	-	(22.2)	(43.3)	-	(43.3)
Profit before taxation	14.3	4.2	18.5	66.9	2.8	69.7
Taxation	2.0	(1.3)	0.7	11.9	2.5	14.4
Profit after taxation for the period	16.3	2.9	19.2	78.8	5.3	84.1
Attributable to:						
Owners of the parent	16.3	2.9	19.2	78.6	5.3	83.9
Non-controlling interests	-	-	-	0.2	-	0.2
	16.3	2.9	19.2	78.8	5.3	84.1
Earnings per ordinary share						
Basic	0.8p		0.9p	3.5p		3.8p
Diluted	0.8p		0.9p	3.5p		3.8p

IFRS 9, Financial Instruments
Following the adoption of IFRS9, the accounting policies for financial instruments applied during the year ended 31 December 2017 are, on a practical level, largely unchanged.

Retained earnings at 1 January 2018 have been restated by £39.0m as a result of the transition to this new standard however there was no impact on the consolidated cash flows of the Group, nor on EPS. In accordance with the transitional provisions, comparative figures have not been restated.

Cobham plc's minority shareholdings in equity investments were accounted for as trade investments, categorised as available for sale under IAS 39. Under IFRS 9, these investments must be held at fair value, using a present value methodology resulting in the restatement noted above and as shown in note 11. The Company has elected to present movements in fair value in OCI. Reclassification of financial assets into the IFRS 9 categories has had no overall impact on the measurement basis applied.

£m	Original IAS 39 measurement category	Revised IFRS 9 measurement category	IAS 39 carrying amount	IFRS 9 carrying amount
Financial assets				
Trade receivables, other receivables, cash and cash equivalents	Loans and receivables (amortised cost)	Financial assets at amortised cost	817.1	817.1
Derivative contracts (not hedge accounted)	Fair value through profit or loss	Financial assets at fair value through profit or loss	13.2	13.2
Other financial assets	Amortised cost	Financial assets at fair value through OCI	6.1	45.1
Financial liabilities				
Borrowings, trade payables, accruals, other financial liabilities	Amortised cost	Financial liabilities at amortised cost	(1,172.2)	(1,172.2)
Derivative contracts (not hedge accounted)	Fair value through profit or loss	Financial liabilities at fair value through profit or loss	(17.4)	(17.4)
Hedging instruments				
Assets	Derivatives used for hedging	Derivatives used for hedging	22.2	22.2
Liabilities	Derivatives used for hedging	Derivatives used for hedging	(22.0)	(22.0)
Net financial liabilities at 31 December 2017			(353.0)	(314.0)

3. Underlying measures, EPS and specific adjusting items (unaudited)

Use of underlying measures

To assist with the understanding of earnings trends, the Group has included within its interim financial statements non-GAAP alternative performance measures including underlying operating profit and underlying profit.

The non-GAAP measures used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses underlying measures to assess the operating performance of the Group, having adjusted for specific items as defined below. They form the basis of internal management accounts and are used for decision making including capital allocation and a subset also forms the basis of internal incentive arrangements. By using underlying measures in our segmental reporting, this further ensures readers of the financial statements can recognise how incentive performance is targeted. Underlying measures are also presented in this report because the Directors believe they provide additional useful information to shareholders on comparative trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by users of the financial statements.

In 2016 certain exceptional items were adjusted for and excluded from underlying measures due to their unusual size and incidence, arising out of the January 2017 Balance Sheet review and including revisions to the carrying value of assets, additional contract loss provisions and legal and other provisions. Where relevant, updates to, and the final outcome of, these items are presented consistently with this treatment as exceptional charges or credits as appropriate.

Definitions of underlying measures

All underlying measures include the operational results of all businesses including those held for sale until the point of sale. These definitions are applied consistently on a year to year basis.

Underlying operating profit

Underlying operating profit has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity and prior periods' business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, gains and losses arising on dividend related foreign exchange contracts and other items deemed by the Directors to be of a non-operating nature including the impairment of intangible assets.

Changes in items previously treated as exceptional in 2016 will also be adjusted.

Underlying profit

Underlying profit before taxation is defined as underlying operating profit less net underlying finance costs, which exclude business acquisition and divestment related items and specific finance costs.

Half year to 30.6.18

£m	Underlying	Specific adjusting items	Total
Revenue	924.5	-	924.5
Cost of sales	(674.6)	(40.0)	(714.6)
Gross profit	249.9	(40.0)	209.9
Operating costs	(159.5)	(57.9)	(217.4)
Profit on divestments	-	216.3	216.3
Operating profit	90.4	118.4	208.8
Finance income	5.5	-	5.5
Finance costs	(35.0)	-	(35.0)
Profit before taxation	60.9	118.4	179.3
Taxation	(14.0)	0.1	(13.9)
Profit after taxation for the period	46.9	118.5	165.4
Earnings per ordinary share			
Profit after taxation for the period	46.9	118.5	165.4
Less amount attributable to non-controlling interests	(0.1)	-	(0.1)
Earnings attributable to owners of the parent	46.8	118.5	165.3
Weighted average number of shares (million)	2,379.1		2,379.1
Effect of dilutive securities	4.0		4.0
Diluted number of shares	2,383.1		2,383.1
Basic EPS	2.0p		6.9p
Diluted EPS	2.0p		6.9p

£m	Half year to 30.6.17 restated Underlying restated	Specific adjusting items	Total restated	Year to 31.12.17 restated Underlying restated	Specific adjusting items	Total restated
Revenue	1,028.2	-	1,028.2	2,091.6	-	2,091.6
Cost of sales	(739.2)	-	(739.2)	(1,494.8)	-	(1,494.8)
Gross profit	289.0	-	289.0	596.8	-	596.8
Operating costs	(194.9)	(55.2)	(250.1)	(383.7)	(107.3)	(491.0)
Profit on divestments	-	-	-	-	1.1	1.1
Operating profit/(loss)	94.1	(55.2)	38.9	213.1	(106.2)	106.9
Finance income	1.8	-	1.8	6.1	-	6.1
Finance costs	(22.2)	-	(22.2)	(43.3)	-	(43.3)
Profit/(loss) before taxation	73.7	(55.2)	18.5	175.9	(106.2)	69.7
Taxation	(17.7)	18.4	0.7	(37.3)	51.7	14.4
Profit/(loss) after taxation for the period	56.0	(36.8)	19.2	138.6	(54.5)	84.1
Earnings per ordinary share						
Profit/(loss) after taxation for the period	56.0	(36.8)	19.2	138.6	(54.5)	84.1
Less amount attributable to non-controlling interests	-	-	-	(0.2)	-	(0.2)
Earnings attributable to owners of the parent	56.0	(36.8)	19.2	138.4	(54.5)	83.9
Weighted average number of shares (million)	2,084.2		2,084.2	2,231.8		2,231.8
Effect of dilutive securities	2.6		2.6	3.5		3.5
Diluted number of shares	2,086.8		2,086.8	2,235.3		2,235.3
Basic EPS	2.7p		0.9p	6.2p		3.8p
Diluted EPS	2.7p		0.9p	6.2p		3.8p

Further details of the restatements can be found in note 2.

Potentially dilutive securities are unvested awards under the Group's share based payment schemes.

At 30 June 2018, 87,009,203 (31 December 2017: 88,427,023) ordinary shares were held in Treasury, including 11,057,479 (31 December 2017: 12,475,299) shares held in the Cobham Employee Benefit Trust.

Details of specific adjusting items

The specific adjusting items excluded from underlying profit can be analysed as follows:

£m	**Half year to 30.6.18**	Half year to 30.6.17	Year to 31.12.17
Cost of sales			
Estimates of fixed price contract profitability	**(40.0)**	-	-
Operating costs			
Derivative financial instruments	**(13.7)**	18.2	28.9
Business acquisition and divestment related items			
Amortisation of intangible assets arising on business combinations	**(45.9)**	(72.4)	(138.9)
Other M&A related costs	**-**	-	(0.3)
Impairment of goodwill and other intangible assets	**-**	-	(33.5)
Reversal of impairment of intangible assets	**-**	-	31.8
Other items provided as exceptional items at 31 December 2016			
Adjustments to revisions of the carrying value of other assets	**-**	1.4	1.4
Assessment of legal and other provisions	**1.7**	-	8.0
Amounts related to prior periods restructuring programmes	**-**	(2.4)	(4.7)
	(57.9)	(55.2)	(107.3)
Profit on divestments			
Profit on divestments (note 15)	**216.3**	-	1.1
Taxation			
Tax credit on specific adjusting items	**0.1**	18.4	51.7

Explanation of specific adjusting items

Estimates of fixed price contract profitability
A charge of £40.0m has been taken against increased estimates of cost to complete and recovery on the KC-46 contract. This reflects an adjustment to an estimate of an exceptional item and hence it has been presented as a specific adjusting item. 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.

Derivative financial instruments
The impact of derivative financial instruments excluded from underlying results includes changes in the marking to market of non-hedge accounted derivative financial instruments. These amounts relate to foreign currency exchange contracts and would not impact operating results had the Group chosen to comply with IAS 39 requirements to enable these contracts to be hedge accounted. Also included are gains and losses arising on dividend related foreign exchange contracts. As dividend cash flows do not impact operating results, the movement in the fair value of foreign exchange contracts being used to manage the currency risks arising are excluded from underlying measures.

Business acquisition and divestment related items
The Group has been acquisitive over time and also divests businesses in accordance with its strategy. Accounting adjustments that arise as a result of business combinations and divestments are not considered to result from the underlying business activity and have therefore been excluded from underlying results.

These adjustments include the amortisation of intangible assets arising on business combinations, gains or losses arising on business divestments, adjustments to businesses held for sale, the writing off of the pre-acquisition profit element of inventory written up on acquisition, revaluation gains and losses arising on the original equity interests on stepped acquisitions, other direct costs associated with business combinations and terminated divestments, and adjustments to contingent consideration related to previously acquired businesses.

Amortisation of intangible assets arising as a result of the purchase price allocation on business combinations, such as customer lists, technology based assets and order book and trade names, is not included in underlying measures. Amortisation of internally generated intangible assets such as software and development costs is included within underlying measures.

Likewise impairments of goodwill and other intangible assets arising on business combinations, together with any reversal of impairment of intangible assets, are treated as specific adjusting items as these assets arose from business acquisitions in prior periods.

Other M&A related costs reflect the finalisation of costs related to acquisitions and divestments in prior years.

Other items
The 2017 adjustments to revisions of the carrying value of other assets provided at 31 December 2016 related to a provision against aged receivables which was considered doubtful at 31 December 2016 but which was recovered during the first half of the year ended 31 December 2017. The release of this provision was treated as an adjusting item consistent with the treatment of the original provision.

Adjustments to the assessment of legal and other provisions relate to provisions made at 31 December 2016 which have been reassessed. These provision releases are treated as an adjusting item consistent with the treatment of the original provisions.

Amounts related to prior periods restructuring programmes
Amounts related to prior periods restructuring programmes were deemed as incremental to normal operations. These costs relate to the integration of the Aeroflex businesses acquired in 2014.

4. Segment information (unaudited)

Half year to 30.6.18

£m	Communications and Connectivity	Mission Systems	Advanced Electronic Solutions	Aviation Services	Total Group
Revenue by market					
US Defence & security	**22.0**	**116.0**	**217.8**	**-**	**355.8**
Non-US Defence & security	**53.7**	**72.0**	**17.7**	**89.4**	**232.8**
Commercial	**203.9**	**21.0**	**43.4**	**67.6**	**335.9**
Total Revenue	**279.6**	**209.0**	**278.9**	**157.0**	**924.5**
Revenue by customer geography					
USA	**75.2**	**156.2**	**253.1**	**-**	**484.5**
UK	**17.1**	**9.2**	**3.0**	**44.4**	**73.7**
Other EU	**112.6**	**27.6**	**7.5**	**3.0**	**150.7**
Australia	**3.8**	**3.3**	**0.3**	**97.9**	**105.3**
Asia	**47.9**	**7.5**	**9.2**	**7.9**	**72.5**
Rest of the world	**23.0**	**5.2**	**5.8**	**3.8**	**37.8**
Total Revenue	**279.6**	**209.0**	**278.9**	**157.0**	**924.5**
Underlying operating profit	**22.9**	**28.8**	**29.9**	**8.8**	**90.4**
Specific adjusting items (note 3)					**118.4**
Net finance costs					**(29.5)**
Profit before taxation					**179.3**

Half year to 30.6.17

	Communications and Connectivity	Mission Systems	Advanced Electronic Solutions	Aviation Services	Total Group
Revenue by market					
US Defence & security	24.7	119.2	228.6	-	372.5
Non-US Defence & security	55.0	70.6	12.8	107.8	246.2
Commercial	265.8	22.6	41.1	80.0	409.5
Total Revenue	345.5	212.4	282.5	187.8	1,028.2
Revenue by customer geography					
USA	85.3	159.7	259.6	-	504.6
UK	22.6	12.3	5.2	56.3	96.4
Other EU	124.9	27.3	6.6	4.3	163.1
Australia	4.5	2.2	-	108.1	114.8
Asia	76.2	6.7	6.0	12.9	101.8
Rest of the world	32.0	4.2	5.1	6.2	47.5
Total Revenue	345.5	212.4	282.5	187.8	1,028.2
Underlying operating profit	25.7	26.9	28.2	13.3	94.1
Specific adjusting items (note 3)					(55.2)
Net finance costs					(20.4)
Profit before taxation					18.5

Revenue recognised over time amounted to £331.8m (2017: £376.1m) with the remainder recognised at a point in time. The majority of the revenue in the Communications and Connectivity Sector is recognised at a point in time. While in Mission Systems some revenue related to long term development programmes is recognised over time, most of the revenue is recognised at a point in time. Approximately 60% of the Advanced Electronic Solutions revenue is recognised over time, driven by US government contracts where control passes to the customer as the product is being made. Aviation Services revenue primarily relates to services provided over time.

5. Finance income and costs (unaudited)

£m	**Half year to 30.6.18**	Half year to 30.6.17
Bank interest	**4.2**	0.7
Other finance income	**1.3**	1.1
Total finance income	**5.5**	1.8
Interest on bank overdrafts and loans	**(12.1)**	(20.8)
Interest on obligations under finance leases	**(0.1)**	-
Interest on net pension scheme liabilities	**(1.1)**	(1.1)
Other finance expense	**(21.7)**	(0.3)
Total finance costs	**(35.0)**	(22.2)
Net finance costs	**(29.5)**	(20.4)

Other finance expense for the half year to 30 June 2018 includes £20.4m of make-whole fees payable in connection with the early repayment of borrowings during the period.

6. Tax (unaudited)

£m	**Half year to 30.6.18**	Half year to 30.6.17 restated
Tax on underlying profit (effective rate 23%; 2017: 24%)	**14.0**	17.7
Tax on specific adjusting items	**(0.1)**	(18.4)
Total taxation charge/(credit) (effective rate 8% (2017: -4%))	**13.9**	(0.7)

Current tax risks

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 US 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 £130m. 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 European Commission (EC) has opened an investigation into the UK's controlled foreign company (CFC) rules. The CFC rules levy a charge on foreign entities controlled by the UK that are subject to a lower rate of tax, however there is currently an exemption available for 75% of this charge if the activities being undertaken by the CFC relate to financing. The EC are investigating whether this exemption is in breach of EU State Aid rules, but it is too early to assess what the conclusions of this investigation might be. If there was an adverse final determination on the UK's CFC legislation, the Group estimates that its maximum exposure on this matter is approximately £60m.

On 22 December 2017 extensive changes to the US tax system were made. A number of risks to the Group arise as a result, including anti-base erosion, the way that interest deductions are made, foreign tax credits and tax of foreign earnings. These risks are currently being assessed as further clarity is provided by the US tax authorities.

In respect of the above risks and other uncertain tax positions in the UK, US and other tax jurisdictions, amounts totalling £127.5m (31 December 2017: £126.4m) have been accrued. Final resolutions will affect the amounts settled and the timing of any settlements. Whilst resolution remains uncertain, these amounts are included in current liabilities.

7. Cash flow from operations (unaudited)

£m	**Half year to 30.6.18**	Half year to 30.6.17 restated
Operating profit	**208.8**	38.9
Non-cash items:		
Share of post-tax profits of joint ventures and associates	**(0.1)**	-
Depreciation and amortization	**84.9**	113.8
Profit on sale of property, plant and equipment	**(1.1)**	-
Profit on divestments	**(216.3)**	-
Derivative financial instruments	**13.7**	(18.2)
Adjustments to revisions of the carrying value of other assets	**-**	(1.4)
Pension contributions in excess of pension charges	**(8.5)**	(8.6)
Share based payments	**3.2**	2.3
Operating cash movements:		
Increase in inventories	**(16.4)**	(20.4)
Decrease/(increase) in contract assets	**11.6**	(51.1)
(Increase)/decrease in trade and other receivables	**(10.0)**	38.8
Increase in contract liabilities	**6.6**	38.8
(Decrease)/increase in trade and other payables	**(13.1)**	14.4
Decrease in provisions	**(8.0)**	(17.8)
Cash generated from operations	**55.3**	129.5
Tax received/(paid)	**5.2**	(17.0)
Interest paid	**(34.8)**	(22.7)
Interest received	**4.5**	1.3
Net cash from operating activities	**30.2**	91.1

Use of alternative cash flow performance measures

Free cash flow and operating cash flow are considered to provide a consistent measure of the operating cash flow of the Group's business. These alternative performance measures are used in internal management accounts and for decision making including capital allocation. In addition to underlying profit measures, underlying cash conversion is also used for internal incentive arrangements, and presenting this information allows users of the financial statements to better understand the way in which performance is targeted.

Definitions of operating cash flow measures

Free cash flow

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

Operating cash flow

Operating cash flow is free cash flow before payment of tax, interest and restructuring costs.

Reconciliation of operating cash flow measures

The Cash Flow Statement subtotal of net cash from operating activities is reconciled to alternative measures of cash flow, free cash flow and operating cash flow as follows:

£m	**Half year to 30.6.18**	Half year to 30.6.17
Net cash from operating activities per Cash Flow Statement	**30.2**	91.1
Purchase of property, plant and equipment	**(20.6)**	(21.7)
Purchase of intangible assets	**(6.5)**	(5.7)
Proceeds on disposal of property, plant and equipment	**6.1**	0.8
Business acquisition and divestment related costs paid	**-**	0.1
Free cash flow	**9.2**	64.6
Amounts related to prior periods restructuring programmes	**-**	5.3
Tax paid	**(5.2)**	17.0
Underlying net finance costs paid	**30.3**	21.4
Operating cash flow	**34.3**	108.3

The operating cash conversion ratio is operating cash flow divided by underlying operating profit, excluding the share of results of joint ventures and associates:

£m	**Half year to 30.6.18**	Half year to 30.6.17
Underlying operating profit excluding the share post-tax results of joint ventures	**90.4**	94.1
Operating cash flow	**34.3**	108.3
Operating cash conversion including the net cash flow on exceptional items	**38%**	115%
Cash flow on exceptional items provided at 31 December 2016	**43.8**	25.0
Operating cash flow before net cash flow on exceptional items	**78.1**	133.3
Operating cash conversion before net cash flow on exceptional items	**86%**	142%

8. Intangible assets (unaudited)

£m	**Half year to 30.6.18 (unaudited)**	Year to 31.12.17 (audited)
Carrying amount at start of period	**893.8**	1,165.9
Additions	**6.4**	10.6
Reclassified as held for sale	**-**	(88.1)
Business divestments	**(1.3)**	-
Amortisation and impairment of intangible assets arising on business combinations	**(45.9)**	(140.6)
Other amortization	**(5.5)**	(10.8)
Reclassifications	**-**	0.6
Foreign exchange adjustments	**8.6**	(43.8)
Carrying amount at end of period	**856.1**	893.8

9. Property, plant and equipment (unaudited)

£m	**Half year to 30.6.18 (unaudited)**	Year to 31.12.17 (audited)
Carrying amount at start of period	**380.9**	422.9
Additions	**35.1**	69.4
Disposals	**(5.0)**	(4.5)
Reclassified as held for sale	**-**	(18.3)
Depreciation	**(33.4)**	(74.0)
Reclassifications	**-**	(0.6)
Foreign exchange adjustments	**(1.8)**	(14.0)
Carrying amount at end of period	**375.8**	380.9

Additions above include £14.7m (2017: £nil) acquired under finance leases.

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

£m	**As at 30.6.18**	As at 31.12.17
Commitments at end of period	**9.1**	13.8

10. Contract assets and contract liabilities (unaudited)

Contract assets

£m	**As at 30.6.18**	As at 31.12.17 restated
Within current assets	**141.7**	154.8
Within non-current assets	**69.0**	64.3
	210.7	219.1

The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the balance sheet date on government contracts and long term development programmes. The contract assets are transferred to receivables when they are billed.

Contract liabilities

£m	**As at 30.6.18**	As at 31.12.17 restated
Contract liabilities	**144.5**	134.1

Contract liabilities primarily relate to advance payments received from customers.

11. Other financial assets (unaudited)

£m	**Half year to 30.6.18**	Year to 31.12.17
At start of period	**6.1**	6.1
Change in accounting policy - adoption of IFRS 9	**39.0**	-
At start of period (restated)	**45.1**	6.1
Revaluation losses recognised in OCI	**(5.9)**	-
Gains or losses recognised in profit or loss:		-
Unrealised change in fair value - discounting included in finance income	**0.1**	-
At end of period	**39.3**	6.1

Other financial assets represent Cobham plc's investments in AirTanker Holdings Limited and AirTanker Services Limited which relate to the Voyager (FSTA) project. These are equity investments which are not held for trading and as such as are held at fair value. The Group has elected to present subsequent changes in fair value in OCI.

The fair value of these assets has been assessed using a present value methodology. The inputs to this calculation are not based on observable market data and hence they fall within level 3 of the IFRS 13 fair value hierarchy.

Fair value is determined based on the estimated cash flows expected to be received, discounted to present value. The estimated cash flows are calculated using an income approach reflecting the cash flows available to the Company after repayment of debt capital and interest, taking into account operating and financing cash flows. The most significant assumption concerns the anticipated usage of aircraft, including the number and types of sorties flown. The fair value would decrease with lower than anticipated usage of the aircraft or a higher discount rate. A 10% decrease in flying hours would result in a 8% reduction in fair value and a 1% increase in discount rate would reduce the fair value by 5%. Other assumptions include interest and inflation rates, repayment of debt and the residual value of the aircraft.

Dividends on these investments are recognised in profit or loss when the Group's right to receive the dividends is established, it is probable that they will be paid and the amount can be measured reliably.

During the half year ended 30 June 2018, £6.1m of dividends were received which are presented within operating costs in the income statement.

12. Provisions (unaudited)

£m	**As at 30.6.18**	As at 31.12.17 restated
Current liabilities	**(86.0)**	(121.7)
Non-current liabilities	**(60.1)**	(30.6)
	(146.1)	(152.3)

The movements in provisions in the period, which primarily relate to contract loss provisions, were as follows:

£m	Note	**Half year to 30.6.18**
At start of period (as originally stated)		**(155.8)**
Change in accounting policy - adoption of IFRS 15	2	**3.5**
At start of period (restated)		**(152.3)**
Additional provisions in the period		**(42.9)**
Utilisation of provisions		**37.2**
Provisions released		**13.4**
Reclassifications		**(1.1)**
Foreign exchange adjustments		**(0.4)**
At end of period		**(146.1)**

13. Retirement benefit obligations

£m	**As at 30.6.18 (unaudited)**	As at 31.12.17 (audited)
Defined benefit scheme assets	**793.7**	816.3
Defined benefit obligations	**(843.0)**	(879.5)
Net liability at end of period	**(49.3)**	(63.2)

£m	**Half year to 30.6.18 (unaudited)**	Year to 31.12.17 (audited)
Net liability at start of period	**(63.2)**	(87.0)
Amount recognised in Income Statement	**(1.6)**	(3.2)
Contributions paid by employer	**9.0**	18.2
Actuarial gains recognised in OCI	**6.9**	7.4
Exchange differences	**(0.4)**	1.4
Net liability at end of period	**(49.3)**	(63.2)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2018 has decreased by £13.9m since 31 December 2017, excluding the deferred tax impact. Actuarial gains of £6.9m include a gain of £28.5m on plan liabilities, primarily due to an increase in the discount rate driven by an increase in corporate bond yields. The impact of changes in the discount rate is partly hedged by liability driven investments which decreased in value during the period, contributing to actuarial investment losses of £21.6m.

Actuarial valuations of the defined benefit obligations are performed on a triennial basis. A valuation as at 1 April 2018 is currently under way.

The fair value of major categories of scheme assets is as follows:

£m	**As at 30.6.18 (unaudited)**	As at 31.12.17 (audited)
UK equity instruments	**19.7**	14.4
Global equities	**92.4**	92.4
Liability driven investments	**142.0**	149.5
Corporate bonds	**74.6**	87.0
Private credit	**31.8**	27.8
Diversified growth funds	**125.8**	127.8
Insurance contracts	**303.1**	313.7
Other assets including cash	**4.3**	3.7
	793.7	816.3

Insurance contract assets relate to a number of buy-in arrangements where assets are transferred to an insurance company in return for a qualifying insurance policy which provides an income stream equivalent to the obligations to pensioners covered by the arrangement. These are measured at a value equal to the related liabilities.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	As at 30.6.18 (unaudited)	As at 31.12.17 (audited)
Discount rate	**2.50%**	2.35%
RPI inflation assumption (rate of increase in pensions in payment unless overridden by specific scheme rules)	**3.25%**	3.35%
CPI inflation assumption (rate of increase in deferred pensions)	**2.25%**	2.35%
Life expectancy in years:		
Male member currently aged 65	**88**	88
Female member currently aged 65	**89**	89
Male member aged 65 in 2045	**90**	90
Female member aged 65 in 2045	**91**	91

14. Fair values

Fair values of derivative financial instruments

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

£m	**As at 30.6.18 (unaudited)**	As at 31.12.17 (audited)
Financial assets		
Derivative contracts (designated as hedging instruments)	**21.3**	22.2
Derivative contracts (not hedge accounted)	**4.0**	13.2
Financial liabilities		
Derivative contracts (designated as hedging instruments)	**(21.2)**	(22.0)
Derivative contracts (not hedge accounted)	**(15.6)**	(17.4)
	(11.5)	(4.0)

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows. The inputs to these valuations fall within level 2 of the IFRS 13 fair value hierarchy as they are based on assumptions that are supportable by observable market prices or rates.

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

Borrowings are held at amortised cost which equates to fair value, except for the Group's fixed rate borrowings. At 30 June 2018 the fair value of fixed rate borrowings was £224.6m (31 December 2017: £743.7m) compared to a book value of £213.7m (31 December 2017: £687.4m).

Fair values of non-financial assets and liabilities

Non-financial assets and liabilities measured at fair value on a non-recurring basis include the other financial assets detailed in note 11.

At 31 December 2017, non-financial assets and liabilities measured at fair value on a non-recurring basis were net assets held for sale of £122.6m. These were measured at fair value less costs to sell as this is lower than the original carrying value of those assets. The fair value is based on the estimated sale price and is classified as level 2 in the IFRS 13 fair value hierarchy.

Other fair value measurements are used by the Group in measuring pension scheme assets at fair value as shown in note 13.

There have been no changes to the valuation techniques used during the period, and no transfers between fair value hierarchy levels.

15. Business divestments

The completion of the divestment of the Group's AvComm and Wireless test and measurement businesses, part of the Communications and Connectivity Sector, was announced on 16 March 2018, for an all-cash consideration of US$455m (subject to certain post-completion adjustments and expenses). In the Group consolidated financial statements for the year to 31 December 2017, the assets and liabilities of these businesses were classified as held for sale and were measured on a non-recurring basis at fair value.

In addition, on 25 May 2018 the Group disposed of the trade and assets of its Opera electromagnetic simulation software business, also within the Communications and Connectivity Sector.

The profit on these divestments has been excluded from underlying operating profit as disclosed in note 3 and analysed below. The net profit on the AvComm and Wireless divestment may change as the post-completion adjustments are subject to agreement in due course.

£m	AvComm and Wireless	Opera	Total
Gross consideration	**323.6**	**7.8**	**331.4**
Net assets at date of divestment	**(120.0)**	**(0.4)**	**(120.4)**
Expenses of sale	**(11.2)**	**(0.2)**	**(11.4)**
Foreign exchange adjustments	**15.9**	**-**	**15.9**
Net profit on divestments in current period before tax	**208.3**	**7.2**	**215.5**
Net profit relating to divestments completed in prior periods			**0.8**
Net profit on divestments before tax			**216.3**
Tax charge on net profit on divestments			**(19.1)**
Net profit on divestments after tax			**197.2**

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

£m	AvComm and Wireless	Opera	Total
Cash consideration	**325.6**	**7.8**	**333.4**
Expenses of sale	**(9.7)**	**(0.2)**	**(9.9)**
Net cash impact from divestments in current period	**315.9**	**7.6**	**323.5**
Net cash relating to divestments completed in prior periods			**0.8**
			324.3

The net assets at the date of divestment were as follows:

£m	AvComm and Wireless as at 16.3.2018	Opera as at 25.5.2018	Total
Intangible assets	**86.4**	**1.3**	**87.7**
Property, plant and equipment	**18.5**	**-**	**18.5**
Investment property	**0.6**	**-**	**0.6**
Inventories	**18.8**	**-**	**18.8**
Trade and other receivables	**39.8**	**0.2**	**40.0**
Cash	**0.7**	**-**	**0.7**
Borrowings (finance lease)	**(0.3)**	**-**	**(0.3)**
Trade and other payables	**(34.2)**	**(1.1)**	**(35.3)**
Provisions	**(0.7)**	**-**	**(0.7)**
Current tax liability	**(2.8)**	**-**	**(2.8)**
Deferred tax	**(6.8)**	**-**	**(6.8)**
Net assets	**120.0**	**0.4**	**120.4**

As noted above, at 31 December 2017, the net assets of the AvComm and Wireless businesses were presented as assets and liabilities held for sale. The net assets of the divested businesses at that date were as follows:

£m	AvComm and Wireless	Opera	Total as at 31.12.2017
Intangible assets	**88.1**	**1.3**	**89.4**
Property, plant and equipment	**18.3**	**-**	**18.3**
Investment property	**0.6**	**-**	**0.6**
Inventories	**20.3**	**-**	**20.3**
Trade and other receivables	**40.6**	**0.7**	**41.3**
Trade and other payables	**(37.5)**	**(1.0)**	**(38.5)**
Provisions	**(1.0)**	**-**	**(1.0)**
Deferred tax	**(6.8)**	**-**	**(6.8)**
Net assets	**122.6**	**1.0**	**123.6**

16. Contingent and other liabilities

At 30 June 2018, 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. Where it is expected that a material liability will arise in respect of these matters, appropriate provision is made within the Group Financial Statements.

As announced in June 2017, Cobham was notified by the Financial Conduct Authority that it had appointed investigators to ascertain whether the Company had breached the Listing Rules and the Disclosure and Transparency Rules between April 2016 and February 2017 and the Market Abuse Regulation between July 2016 and February 2017. It is currently not possible to predict what the outcome of this investigation will be.

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

The nature of much of the contracting work done by the Group means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, 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 as a result of material enhancements to the specifications originally agreed under the contracts. The Group may take account of the advice of experts as required in making judgements on contractual issues and whether the outcome of negotiations will result in an appropriate recovery of costs. Judgement is therefore required as regards the estimated costs to complete, the outcome of negotiations with customers and the amounts recoverable under these contracts. The amount recoverable may be subject to direct damages due to the customer and damages or penalties they incur from their own end users. In particular there are onerous contract terms and challenging delivery schedules on air to air refuelling development contracts. Specifically in relation to the KC-46 Tanker programme, on 26 July 2018 the Group announced that Boeing has made as yet unquantified damages assertions and is withholding payment of related invoices. Cobham have not received any particulars which would enable a reliable estimate of the impact of the assertions to be made.

In the case where the Group is undertaking development activity at its own cost, but has given performance undertakings to prospective customers, 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 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 on transfer pricing and other matters, 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 US 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 £130m. 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. That payment may also be subject to an interest charge from the relevant authority. 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 European Commission (EC) has opened an investigation into the UK's controlled foreign company (CFC) rules. The CFC rules levy a charge on foreign entities controlled by the UK that are subject to a lower rate of tax, however there is currently an exemption available for 75% of this charge if the activities being undertaken by the CFC relate to financing. The EC are investigating whether this exemption is in breach of EU State Aid rules, but it is too early to assess what the conclusions of this investigation might be. If there is an adverse final determination on the UK's CFC legislation, the Group estimates that its maximum exposure on this matter is approximately £60m.

On 22 December 2017 extensive changes to the US tax system were made. A number of risks to the Group arise as a result, including anti-base erosion, the way that interest deductions are made, foreign tax credits and tax of foreign earnings. These risks are currently being assessed as further clarity is provided by the US tax authorities.

17. Related party transactions

Transactions between Cobham plc and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. There were no material related party transactions during the periods covered by these Interim Financial Statements.

Statement of Key Risks and Uncertainties

The Risk Committee meets regularly to monitor and update the Group's risks and ensure mitigation activities are in place. As part of the interim process, the Committee concluded that the Group's principal risks identified on pages 36 to 39 of the 2017 Annual Report and Accounts remain valid and relate to:

1. Volatile macroeconomic environment;
2. Market characteristics and contracting environment;
3. Project and programme management not being effective;
4. Shortage of appropriate skills and talent;
5. Customer expectations not being met;
6. Business change programmes not being successfully executed;
7. Value creating M&A and divestment activity not being executed;
8. Occurrence of an event leading to a significant business interruption;
9. Failure to comply with laws and regulations;
10. Governance framework being poorly constructed and implemented;
11. Information assurance security measures being insufficient to prevent data loss;
12. Taxation liabilities being larger than anticipated;
13. The deficit within the Cobham Pension Plan changing.

The Group's risk management process is detailed on pages 34 and 35 of the 2017 Annual Report and Accounts.

Statement of Directors' Responsibilities

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

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

The Directors of Cobham plc, including those appointed on 1 January 2018, are shown on pages 44 to 47 of the 2017 Annual Report and Accounts. Alan Semple, General Michael Hagee and Birgit Nørgaard retired from the Board on 26 April 2018. Marion Blakey joins the Board as a Non-Executive Director on 3 August 2018.

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

On behalf of the Board

David Lockwood
Chief Executive Officer
3 August 2018

David Mellors
Chief Financial Officer

Independent review report to Cobham plc

Report on the Interim Results

Our conclusion

We have reviewed Cobham plc's interim financial information (the "interim financial statements") in the Interim Results of Cobham plc for the half year ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The Interim Financial Statements comprise:

- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the half year ended 30 June 2018;
- the Consolidated Balance Sheet as at 30 June 2018;
- the Consolidated Statement of Changes in Equity for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended; and
- the Notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the Interim Financial Statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 August 2018

Notes:
(a) The maintenance and integrity of the Cobham plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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